Delek Group

ANNUAL REPORT 2021

IMPORTANT

This document is an unofficial translation for convenience only of the Hebrew original of the December 31, 2021 financial report of Delek Group Ltd. that was submitted to the Tel-Aviv Stock Exchange and the Israeli Securities Authority on March 31, 2022.

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

ANNUAL REPORT 2021

TABLE OF CONTENTS

Chapter A

Corporate Description

Description of the Company's Business

Table of Contents

Part One – Description of the Company's Business

Legend

In this report, the following abbreviations have the following meanings:

The Company	-	Delek Group Ltd.
Delek GOM	-	Delek GOM Investments LLC
Ithaca	-	Ithaca Energy Limited
Delek Energy	-	Delek Energy Systems Ltd.
Delek Israel	-	Delek the Israel Fuel Corporation Ltd.
Delek Properties		Delek Israel Properties (D.P) Ltd
Delek Petroleum	-	Delek Petroleum Ltd.
The Phoenix	-	The Phoenix Holdings Ltd.
NewMed Energy or the Partnership	-	NewMed Energy Limited Partnership
Delek Financial Investments	–	Delek Financial Investments Limited Partnership
IOGL	-	Ithaca Oil and Gas Limited
DKL	-	DKL Investments Limited
DKL Energy	-	DKL Energy Limited
DNSL	-	Delek North Sea Limited

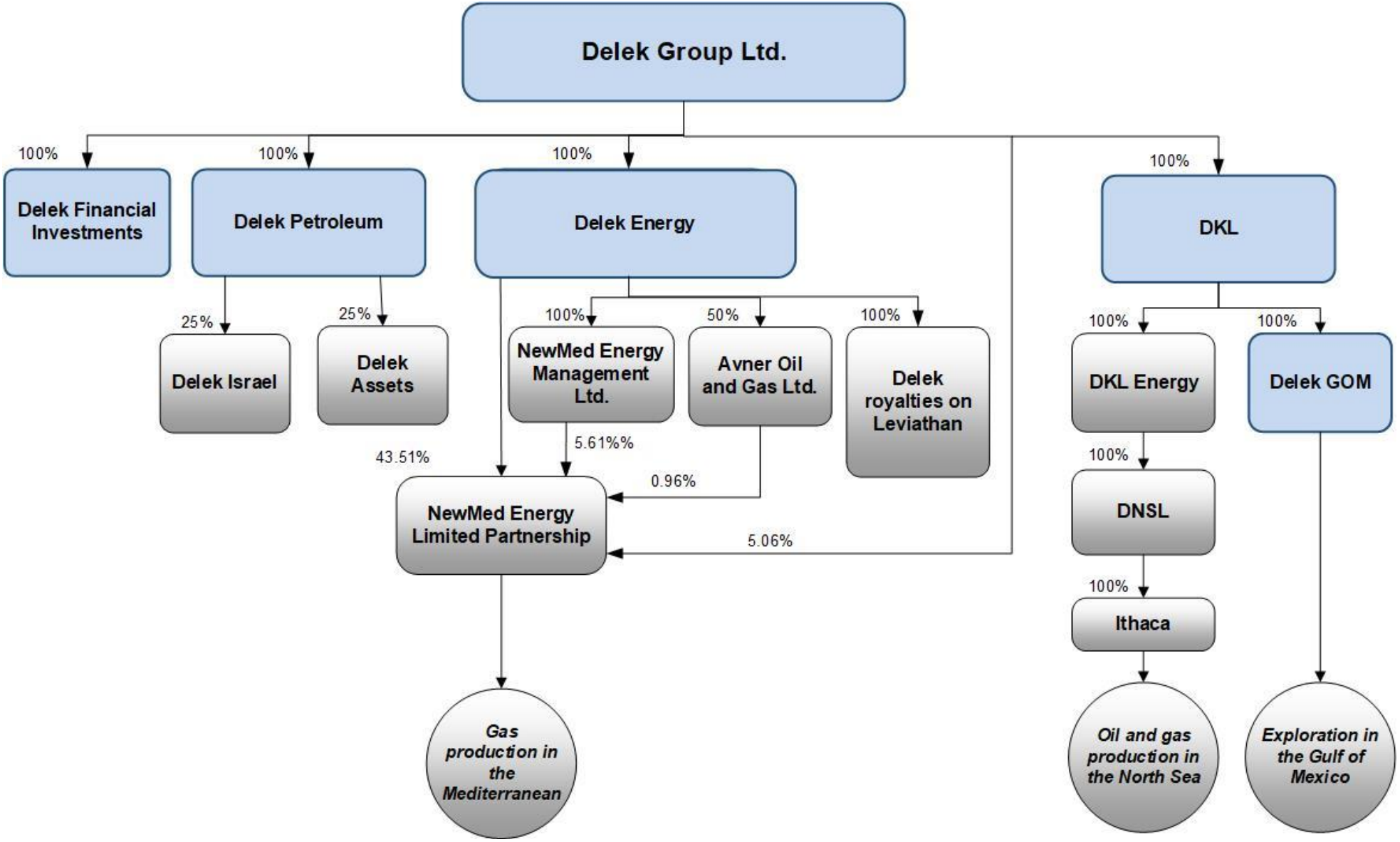
Part One – Description of the General Development of the Company's Business

1.1. General

The Company deals in exploration, development, production and marketing of oil and gas in Israel and abroad through investee companies. In addition, the Company has holdings in other operations, in marketing of fuel products in Israel and gas station real estate properties, through its holdings in Delek Israel and Delek Properties. For the sake of convenience, the Company and those companies under its control will hereinafter be referred to as the “Group" or the “Delek Group".

The Company was incorporated on October 26, 1999. The Company's controlling shareholder is Mr. Yitzhak Sharon (Tshuva) (hereinafter - the “**Controlling Shareholder**”), who - as of the reporting date - holds through companies under his control 48.60% of the Company's issued capital and 50.21% of its voting rights.

The following chart illustrates the Group's major holdings as of the publication date of this report:



1. - Staff companies.
2. Delek Group shares and debentures held by Delek Financial Investments. For more information, see Section 1.3 below.

1.2. The Group's Operating Segments

1.2.1. As of the reporting date, the Group operates in three main segments, as follows:

(A) Energy in Israel - These operations are conducted mainly through the Company's direct and indirect holdings in the NewMed Energy partnership, which holds rights to offshore oil assets in the Mediterranean, where significant gas reservoirs have been discovered; these include, among others, the Leviathan reservoir in Israel and the Aphrodite reservoir in Cyprus, as well as rights to royalties from the Karish and Tanin oil assets and several exploration licenses. Until December 9, 2021, the Partnership also held interests in the Tamar gas reservoir and in accordance with the decision of the Government regarding the Gas Framework, it sold all its rights (22%) in the reservoir. For more information, see Section 1.7.1A(4) below.

The Partnership's strategy in this segment is to focus on exploration, development, production and marketing of natural gas, condensate, and oil in Israel and in Cyprus, and on advancing various natural gas-based projects, with the aim of increasing the scope of its sales of natural gas produced by the Partnership. At the same time, the Partnership is examining various business opportunities with similar characteristics as the existing projects, and is also exploring options for entering the renewable energies sector and the blue hydrogen sector, which is produced from natural gas, and which can be low-carbon substitutes for energy consumers. As of the report's approval date, the Company holds the entire share capital of the general partner in the Partnership (100%) and 54.66% of the participation units issued by the limited partner in the Partnership.

For details about this segment, see Section 1.7 below.

(B) Foreign Energy - These operations are mainly conducted through Ithaca, which holds the rights to actively-producing oil and gas reservoirs on the UK Continental Shelf in the North Sea off the coast of England; Ithaca also holds production, treatment, and storage facilities, and has proven operator experience.

For details about this segment, see Section 1.8 below.

(C) Other operations - these operations include the Company's holdings at a rate of 25% in Delek Israel and Delek Properties. Delek Israel mainly deals in sales of fuels and lubricants, the operation of gas stations with on-site convenience stores in Israel. Delek Properties holds land rights in Israel.

For details about other operations of the Company, please see Section 1.9 below.

1.2.2. Operating segments - materiality and description in the report

In recent years, the Group's strategy has been to focus on energy operations in Israel and abroad; as a result, and following the sale of other material operations in recent years, the Energy in Israel Segment and Foreign Energy Segment have become the Group's principal operating segments. This is reflected, among other things, in the administrative resources allocated by the Company's management, and by the managements of the Company's investees in these segments, toward developing operations, making investment decisions and financing of the operations.

Disclosure on the Group's operating segments in the chapter entitled Description of the Company's Business is made bearing in mind the relative material importance of each operating segment.

1.2.3. The Covid-19 crisis and its impact on the Group and its business

Following the outbreak of the Covid-19 pandemic and other factors, in the first half of 2020 global markets recorded sharp drops in oil and natural gas prices, as well as in the prices of shares and other securities of the Company and NewMed Energy Partnership. For details regarding the effect of these events on the Company in 2020, see under "Financing" in Section 1.14, Chapter A of the Company's periodic report for 2020, published on March 31, 2020 (Ref. No. 2021-01-052227), which is included in this report by way of reference (hereinafter – the "2020 Periodic Report"). During the reporting year, the Company continued to operate in accordance with arrangements made with the Company's debentures, including raising capital and debt, and also disposed of holdings and additional assets, as outlined in this report. For more information concerning the Covid-19 Crisis and its effects, see Section 1.6.6 below. For more information on the Company's loans and debentures, see the chapter entitled Financing, in Section 1.14 below.

1.3. Equity investments in the Company and transactions in its shares

In the two years preceding the report date, no investments were made in the Company's equity and no material off-floor transactions were made by the Company's interested parties in the Company's shares, to the best of the Company's knowledge, excluding the following:

1.3.1 In May 2020, the Company issued 1,371,350 ordinary shares, 329,124 options (Series 7), exercisable for ordinary shares, and 329,124 options (Series 8), exercisable for ordinary shares. The Company's total gross proceeds amounted to NIS 137 million. For more information, see the Company's immediate reports of May 17, 2020 (Ref. No.: 2020-01-048828) and May 18, 2020 (Ref. No.: 2020-01-049647), included here by way of reference.

1.3.2 In August 2020, the Company issued 2,198,200 ordinary shares of the Company, 758,000 options (Series 9), 379,000 options (Series 10), 758,000 options (Series 11), and 379,000 options (Series 12). All options (Series 9-12) are exercisable for ordinary shares of the Company (hereinafter - "the "Offered Securities"), for total proceeds (gross) in an amount of NIS 175,856 million. For more information, see the Company's immediate reports of August 2, 2020 (Ref. No.: 2020-01-081795) and August 4, 2020 (Ref. No.: 2020-01-083622), included here by way of reference.

1.3.3 In December 2020, the Company issued 361,000 ordinary shares of the Company for a total (gross) of NIS 39.7 million. For more information, see the Company's immediate reports of December 16, 2020 (Ref. No.: 2020-01-128635) and (Ref. No.: 2020-01-129052), included here by way of reference.

1.3.4 In April 2021, the Company issued 63,400 ordinary shares of the Company for proceeds (gross) totalling an amount of NIS 10 million. For further information, see the immediate reports issued by the Company on April 07, 2021 (Ref. No.: 2021-01-058080), and April 8, 2021, (Ref. No.: 2021-01-059871), whereby the information noted in these reports are noted here by way of reference.

1.3.5 In August 2021, the Company issued 189,064 ordinary shares, and 47,266 options (Series 13) exercisable for ordinary shares of the Company, for proceeds (gross) totalling an amount 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.

1.3.6 In August 2021, the Company's Board of Directors approved the allocation of 85,200 ordinary shares of the Company to offerees who constitute qualified investors of the kind prescribed by 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 interested parties in the Company, in consideration for NIS 176.13 per share, for a total of NIS 15,006,276. For more information, see the Company's immediate reports of August 5, 2021 (Ref. No.: 2021-01-062308), included here by way of reference.

1.3.7 On October 13, 2021, the Company issued 287,910 ordinary shares, and 82,260 options (Series 14) exercisable for ordinary shares of the Company, for proceeds (gross) totalling an amount of NIS 76 million. For further details, see the Company's immediate reports dated October 13, 2021 and October 14, 2021 (Ref. No. 2021-01-087280 and 2021-155772), the details of which are included herein by way of reference.

1.3.8 As of the publication date of this report, a total of 1,748,074 warrants (Series 7-14) have been exercised (including by interested parties) into Company shares, for a total consideration of NIS 138 million.

1.3.9 Following is information, to the best of the Company's knowledge, concerning off-floor transactions in Company shares conducted by the Company's interested parties between January 1, 2020 and the reporting date:

Interested party	Transaction date	Type of transaction	Number of shares	Share price (in NIS)	Total consideration (in NIS thousand)
Yitzhak (Sharon) Tshuva	February 20, 2020	Purchase	101,200	435	44,022
Yitzhak (Sharon) Tshuva	December 23, 2020	Sale	42,970	98.45	4,230
Yitzhak (Sharon) Tshuva	January 30, 2022	Purchase	3,849	335	1,289

1.4. Dividends

1.4.1. Distribution of dividends in the past two years and balance of distributable profits

In 2020-2021 and until immediately prior to the publication date of this report, the Company did not distribute any dividends. For information regarding restrictions on the distribution of dividends, see Section 1.4.3 below.

As of December 31, 2021, the Company's distributable earnings, under Section 302 of the Companies Law totalled NIS 2,347 million.

1.4.2. Dividend distribution policy

As of the reporting date, the Company does not have a dividend distribution policy. The Company is restricted from distributing dividends pursuant to an amendment to the deeds of trust for Debentures (Series B31 and B34) and pursuant to the deeds of trust for Debentures (Series B35 and B36), as set out below.

1.4.3. Restrictions on dividend distributions

(1) Restrictions on distributions under the amendment to the Company's deeds of trust for Debentures (Series B31 and B34)

On June 17, 2020, a meeting of the holders of the Company's various debenture series existing at the time approved an amendment to the deed of trust for each of the Company's debenture series, which included, among other things, a restriction on dividend distributions, whereby the Company would not make a distribution including dividend distributions and would not buy back its shares and would not make any payments to holders of senior shares until 7 days had passed from the Company's publication of an immediate report announcing that it had met the "Expiration Condition" whereby:[1]

(A) The Company's equity as presented in its most recently-published financial statements (annual or quarterly), and in the statements published in the preceding quarter exceeded the higher of either: (a) NIS 2.8 billion, less any cash amount raised by the Company as equity in excess of the amounts raised after publication of the amended deed of trust; and (b) NIS 2.1 billion. However, in order to meet the Expiration Condition for the purpose of making a distribution (dividend distribution, buyback of shares, and payment to holders of senior shares), said equity will not be less than NIS 3 billion after such distribution is made (including by way of dividend or buyback of shares).

(B) The ratio of the Company's equity to its total assets as presented in the most recent separate financial statements (annual or quarterly) published by the Company, and as presented in the financial statements published in the preceding quarter, will not be less than 22.5%.

(C) The most recent rating for the Company's debentures will be at least an A rating on S&P Maalot's rating scale.

For more information on the amended deed of trust (Series B31 and B34), see Section 1.14.3 below.

(2) Restrictions on distributions under the amendment to the Company's deeds of trust for Debentures (Series B35 and B36)

Under the deeds of trust to the Company's Debentures (Series B35 and B36), the Company undertook not to carry out a distribution (as this term is defined in the Companies Law), including to refrain from announcing, paying or distributing any dividend (as defined in the Companies Law), unless if all the conditions set out below are met (before and after the distribution amount is deducted): 1) equity will not fall below an amount of NIS 2,000 million following the distribution; 2) the Company has not breached one or more of its material liabilities under the deed of trust for (Series B35 or B36, as the case may be) and under the terms of Debentures (Series B35 or B36, as the case may be); 3) no cause exists for calling for immediate repayment. For further information concerning the Debentures (Series B35 and B36), see Sections 1.14.8, 1.14.9(C)(1) and 1.14.9(C)(2) below

[1] As of the date of publication of the Report, Series B18, B19, B22, and B33 have been redeemed and only series B31 and B34 remain outstanding. For more information, see Section 1.14.3 to Part 4 below.

Part Two – Other Information

1.5. Financial information concerning the Group's operating segments

The following table details financial information concerning the Group's operating segments:

2021 (in NIS million)

2021 (in NIS million)		Energy in Israel	Foreign Energy	Other	Consolidation adjustments	Consolidated
Revenues	Revenues from externals	3,231	4,736	6	-	7,973
	Revenues from other segments	-	-	-	-	-
	Total	3,231	4,736	6	-	7,973
Total attributable costs	Costs constituting revenues for another segment	-	-	-	-	-
	Other costs	1,687	1,797	(110)	(31)	3,343
	Total	1,687	1,797	(110)	(31)	3,343
	Fixed costs attributed to segment	-	-	-	-	-
	Variable costs attributed to segment	1,687	1,797	(110)	(31)	3,343
Profit (loss) from operating activities attributed to owners of the parent company		835	2,939	116	31	3,921
Share in profit from operating activities attributed to non-controlling interest		709	-	-	-	709
Total assets attributed to segment		15,565	14,269	526	1,041	31,401
Total liabilities attributed to segment		10,163	11,091	-	4,959	26,213

2020 (in NIS million)

2020 (in NIS million)		Energy in Israel	Foreign Energy	Other	Consolidation adjustments	Consolidated
Revenues	Revenues from externals	2,667	4,052	8	(56)	6,671
	Revenues from other segments	-	-	-	-	-
	Total	2,667	4,052	8	(56)	6,671
Total attributable costs	Costs constituting revenues for another segment	-	-	-	-	-
	Other costs	1,962	4,786	(16)	33	6,765
	Total	1,962	4,786	(16)	33	6,765
	Fixed costs attributed to segment	-	-	-	-	-
	Variable costs attributed to segment	1,962	4,786	(16)	33	6,765
Profit (loss) from operating activities attributed to owners of the parent company		382	(734)	24	(89)	(417)
Share in profit from operating activities attributed to non-controlling interest		323	-	-	-	323
Total assets attributed to segment		19,447	13,507	622	851	34,427
Total liabilities attributed to segment		13,433	9,793	43	5,908	29,177

2019 (in NIS million)

2020 (in NIS million)		Energy in Israel	Foreign Energy	Delek Israel *)	Other	Consolidation adjustments	Consolidated
Revenues	Revenues from externals	1,332	2,062	-	22	(60)	3,356
	Revenues from other segments	-	-	-	-		-
	Total	1,332	2,062	-	22	(60)	3,356
Total attributable costs	Costs constituting revenues for another segment	-	-	-	-	-	-
	Other costs	683	2,166	-	85	(5)	2,929
	Total	683	2,166	-	85	(5)	2,929
	Fixed costs attributed to segment	-	-	-	-	-	-
	Variable costs attributed to segment	683	2,166		85	(5)	2,929
Profit (loss) from operating activities attributed to owners of the parent company		391	(104)	-	(63)	(55)	169
Share in profit from operating activities attributed to non-controlling interest		258	-	-	-	-	258
Total assets attributed to segment		22,889	16,635	3,970	1,486	1,983	46,963
Total liabilities attributed to segment		15,401	11,293	3,245	656	8,791	39,386

(*) The figures for revenues, costs and profit were reclassified in view of the sale of control in Delek Israel. For further information, see Note 10H to the Consolidated Financial Statements.

1.6. General environment and effect of external factors

1.6.1. General

The Company's investees, through which the Company conducts its energy operations in Israel and abroad, are controlled by the Company, with holdings of more than 50%. In addition, the Company has additional operations through its 25% holding in Delek Israel and Delek Properties.

The financial data and financial performance of the Company are affected by the financial data and financial performance of its investees; the Company's cash flow is affected, among other things, by dividends paid by investees, by proceeds earned from the sale of Company holdings and assets, and the Company's ability to raise financing that depends, among other things, on the value of its holdings and assets.

1.6.2. Market developments and volatility

Market developments and fluctuations may have a significant effect on the results of the Company and its investee companies, on their liquidity, the valuation of their assets, their ability to dispose of such assets, the state of their business, their financial covenants, their credit rating, their ability to distribute dividends, and their ability to raise funds to finance their ongoing operations and their long-term operations, as well as the terms of such financing. The Group's results are materially affected by developments and volatility in each segment's relevant markets and the underlying factors, as detailed below.

1.6.3. Exchange rates

The Company's functional currency and the presentation currency of the Company's financial statements is the NIS. However, the functional currency for the NewMed Energy partnership and for Ithaca, is the USD. Thus, the Group's results and the equity attributable to the Company's shareholders are materially affected by changes in exchange rates against the NIS.

1.6.4. Regulation

The Company and several of its investees are subject to statutory restrictions and the directives of various regulatory bodies, in Israel and abroad, such as the Gas Framework, anti-trust provisions, and provisions relating to the supervision of product and service prices. Furthermore, the Group's ability to raise funds is affected, among other things, by regulation, such as the Proper Conduct of Banking Business Directives (see below) and regulation of off-bank credit, such as the regulation adopted by the Ministry of Finance' Commissioner the Capital Market, Insurance and Savings in the (hereinafter - the "Capital Market Commissioner") following the Hodek Committee's recommendations.

The Company is affected by changes in competition laws or their application, primarily in those fields in which it has significant operations. For more information on applicable regulation in Energy in Israel operations, see Sections 1.7.23 and 1.7.32 below; on applicable regulation in Energy Abroad operations, see Sections 1.8.22 below; on Delek Israel operations.

On December 11, 2013, the Promotion of Competition and Reduction of Market Concentration Law, 2013 was published in the Official Gazette (hereinafter - the "**Market Concentration Law**"). On December 11, 2014, the chapter in the Market Concentration Law concerning the application of aggregate concentration considerations and industry-specific competition considerations in rights allocations went into effect. On April 26, 2021, the Committee for Reducing Market Concentration issued,[2] pursuant to the Market Concentration Law's provisions, the list of concentrated entities in the Israeli market, a list of significant non-financial entities, and a list of significant financial entities. The Group is included in the list of concentrated entities. For information on the Market Concentration Law's effects on the Company and/or its subsidiaries, and the implications of the Company's inclusion in the list of concentrated entities, see Section 1.17.1 below.

The Company and several of its investee companies are affected by the Proper Conduct of Banking Business Regulations issued by the Supervisor of Banks in Israel; these regulations include, among other things, restrictions on the scope of the loans that Israeli banks can grant to "single borrowers", and the largest "borrower group" in the bank (as these terms are defined in the aforesaid regulations). Accordingly, the scope of the loans issued to the Group's companies and the controlling shareholder

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[2] Published in Official Gazette 9562, April 26, 2021.

in the Company may, under certain circumstances, affect the ability of the Group's companies to borrow additional amounts from banks in Israel.

The Company and its investee companies are also affected by the Government of Israel's policies in various matters (e.g. – monetary policies), and by the requirements of authorities monitoring the environment.

1.6.5. Developments in the Israeli economy

Economic developments in Israel materially affect the results of operations. These developments stem, inter alia, from economic, political and security conditions in Israel.

For more information concerning the general economic environment and external factors that specifically affected the Delek Group's operating segments, see the description for each operating segment below.

1.6.6. Covid-19 pandemic and its impact on the Group

At the end of 2019 and in the first quarter of 2020, the Covid-19 crisis began spreading around the world, and in March 2020, the World Health Organization declared the virus a global pandemic (hereinafter - the “Covid-19 Crisis").

Due to the Covid-19 Crisis, as well as other factors, in the first half of 2020 extremely sharp drops were recorded in oil and natural gas prices on the global markets.

Following this sharp drop in energy product prices, in the first three quarters of 2020 Israel and many other countries also saw high volatility and sharp drops in the prices of securities issued by energy companies, including securities issued by the Company and the NewMed Energy partnership, which are traded on the Tel Aviv Stock Exchange.

Due to the drop in the prices of energy products and of the Company's and NewMed Energy's securities, actions were taken against the Company as aforesaid by banks and by holders of Company debentures, which required the Company, among other things, to dispose of holdings and assets, to repay its main bank loans, and to reach an agreed outline with its debenture-holders whereby the Company undertook certain obligations and restrictions. For further information, see the chapter on Financing in Section 1.14 in Chapter A of the 2020 Periodic Report.

Towards the end of 2020 and in 2021, global prices for energy products recovered sharply, including oil and LNG prices, and particularly the prices of natural gas in the international natural gas trade hubs, to price levels significantly higher than the pre-Covid prices.

Notwithstanding the continuation of the Covid-19 Crisis, there was an increase in demand for natural gas in 2021 compared with the corresponding period last year.

As of the report's approval date, it is difficult to estimate how the Covid-19 Crisis will develop and play out over the coming years, what its impact will be on the global and domestic economy, and how it will affect demand, supply and prices for oil and natural gas produced and sold by the Group's companies as well as the other energy products. Under these circumstances, the Covid-19 Crisis constitutes a global macro-economic risk creating uncertainty concerning future economic activity worldwide and domestically concerning the expected impact on financial markets, interest rate margins, currency prices, and energy commodity prices; thus, the Covid-19 Crisis may adversely affect numerous industries, including those segments in which the Group operates.

Furthermore, if the Covid-19 crisis deteriorates, the restrictions and measures that may be adopted by the Israeli government and other governments for coping with the pandemic, could have a material adverse effect on the Group’s business. Apart from the adverse effects of these measures on economic growth, locally and globally, such restrictions may have a material adverse effect on the operations of investees, including on the routine production of oil and natural gas from their oil assets in the Mediterranean and the North Sea, and could cause delays in the work plans for the various projects, and even incur unforeseen additional costs despite the precautionary measures taken by the investees.

For more information on the effects of the Covid-19 Crisis and the risk factors affecting the Group's core segments, see Sections 1.7.37(a) and 1.8.26(c) below.

Warning concerning forward-looking information - The Company's assessments concerning the possible implications of the Covid-19 Crisis for the Company and its investees constitute forward-

looking information as defined in Section 32A to the Securities Law. This information is based on the Company's assessments, as of the report's approval date, concerning global macro-economic factors outside the Company's **control, and so there is no certainty that the Company's assessments will materialize.**

1.6.7. The Group's and its subsidiaries' financial position

As of December 31, 2021, the Company, separately, had a working capital deficit of NIS 0.17 billion, while the Group had a consolidated working capital deficit of NIS 0.86 billion. For more information, see Note 1 to the financial statements.

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

Below is a separate description of the Group's business in each of its operating segments:

1.7. Energy in Israel Segment

1.7.1. General

The Company's operations in the energy sector in Israel are carried out through its holdings in NewMed Energy – Limited Partnership[3] (hereinafter - "NewMed Energy" or the "Partnership"), which holds the rights in oil assets in the Mediterranean Sea where significant gas reservoirs were discovered, including the Leviathan Reservoir, and the Aphrodite reservoir in Cyprus. Since its founding, the Partnership is engaged in exploration, development, production and sale of natural gas, condensate, and oil in Israel and Cyprus.

The Group's strategy in this operating segment is to focus on the development, production, and sale of natural gas in the existing oil assets of the Partnership, and oil and natural gas exploration in the Mediterranean Sea.

For definitions of some of the professional terminology used in this section, see the definitions appendix at the end of the chapter.

(A) The Company's holdings in NewMed Energy

(1) NewMed Energy is a public limited partnership, within its meaning in the Partnerships Ordinance [New Version], 1975 (hereinafter - "**Partnership Ordinance**"), which was established under a partnership agreement signed on July 1, 1993 (as amended from time to time) (hereinafter - the "**Partnership Agreement**") between NewMed Energy (hereinafter - the "**General Partner**") as the general partner of the first part and NewMed Energy Trusts Ltd. as the limited partner of the second part (hereinafter - the "**Limited Partner**").[4] The Partnership was registered on July 25, 1993 under the Partnerships Ordinance. The Partnership Agreement, as amended from time to time, constitutes the articles of association of the Limited Partnership.

In accordance with the prospectuses published by the Partnership between 1993 and 2003, the limited partner issued units to the public conferring participating rights in the rights of the limited partner in the Partnership (hereinafter - the "Participating Units" or the "Units"), which are listed on the Tel Aviv Stock Exchange Ltd. (hereinafter - the "TASE"). The limited partner is the trustee and holds the Participating Units it issued in trust for the unit holders.

Under the provisions of the Partnerships Ordinance and the Partnership Agreement, the ongoing management of the Partnership is performed by the general partner, under the supervision of Fahn Kanne & Co., CPAs, and CPA Micha Blumenthal, together with Keidar Supervision and Management (hereinafter, jointly - the "Supervisor").

The limited partner in the Partnership and the Supervisor signed a trust agreement, conferring on the Supervisor supervisory powers over the Partnership's management by the general partner and supervisory powers over the fulfillment of the limited partner's obligations to the holders of the Units.

The general partner and the limited partner are wholly-owned (100%) subsidiaries of Delek Energy.

(2) On May 17, 2017, the merger between the Partnership and Avner Oil Exploration - Limited Partnership (hereinafter - "**Avner**" or the "**Avner Partnership**") was completed, such that all the assets and liabilities of Avner were transferred as is to the Partnership, the Limited Partnership issued participating units to the holders of the participating units in Avner Partnership, and Avner Partnership was liquidated without dissolution and was struck off from the records of the Registrar of Partnerships (hereinafter - the "Merger" or the "Merger of the Partnerships").

(3) As at the approval date of the report, the Company holds, directly and indirectly, 54.7% of the unit capital issued by the Limited Partner (hereinafter - the "**Issued Unit Capital**"), as follows: (A) The Company directly holds 5.1% of the Issued Unit Capital. (B) Delek Energy holds 43.5% of the Issued Unit Capital as at the approval date of the report; (C) The General Partner holds 5.6% of the Issued

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[3] The Partnership's former name was Delek Drilling Limited Partnership. On February 21, 2022, the Partnership's name was changed to its current name.

[4] The former name of the general partner was Delek Drilling Management (1993) Ltd. and the former name of the limited partner was Delek Drilling Trusts Ltd. On February 24, 2022, their names were changed to their present name.

Unit Capital as at the approval date of the report; and (D) Delek Energy holds 50% of the share capital of Avner Oil and Gas Ltd., which, as at the approval date of the report, holds 0.96% of the Issued Unit Capital (the share of Delek Energy – 0.48%).

(4) In accordance with the government decision regarding the Gas Framework described in Section 1.7.24(A) below, by December 17, 2021, the Partnership is required to transfer its full rights in the holdings of the I/12 and I/13 Dalit leases (hereinafter - the "Tamar and Dalit Leases") and its full holdings in the shares of Tamar Petroleum Ltd. (hereinafter - "Tamar Petroleum").On December 9, 2021, the transaction was completed for the sale of the balance of the Partnership's rights at a rate of 22% in the Tamar and Dalit Leases to Tamar Investment 1 RSC Limited and Tamar Investment 2 RSC Limited (hereinafter - the "Sale of Rights in Tamar"). For further information about the Sale of Rights in Tamar, see Section 1.7.37(K) below. In addition, on May 5, 2021, the Partnership sold its entire rights at a rate of 22.6% in Tamar Petroleum to a third party in an off-floor transaction in consideration for NIS 100 million.

(5) As at the approval date of the report, the Partnership is advancing a potential restructuring transaction, by way of approval of an arrangement under Sections 350 and 351 of the Companies Law, which mainly refers to replacement of all the Participating Units of the Partnership with ordinary shares of a new company incorporated in the UK, whose shares will be dual-listed on the TASE and the London Stock Exchange. For further information see Section 1.7.39(B) of this Report.

(B) <u>The Partnership's oil assets</u>

(1) The Partnership's main business is exploration, development, production and marketing of natural gas, condensate, and oil in Israel and Cyprus, and promotion of various natural gas-based projects, with the aim of increasing natural gas sales the Partnership produces from the Leviathan Reservoir. At the same time, the Partnership is examining various business opportunities with similar characteristics as the existing projects, and is also exploring options for entering the renewable energies sector and the blue hydrogen sector, which is produced from natural gas and oil. and which could be a low carbon alternative for energy consumers.

(2) The Partnership's key oil asset at the report's approval date is a 45.34% (out of 100%) stake in the I/14 Leviathan South and the I/15 Leviathan North leases (hereinafter - the "Leviathan South Lease" and the "Leviathan North Lease", respectively, and jointly - the "Leviathan Leases"). The Leviathan natural gas reservoir was discovered in the area of the Leviathan Lease, including a 2P natural gas discovery, as at December 31, 2021, in a total volume of 13.4 TCF (100%). Commercial production from the Leviathan Reservoir began in December 2019. For information about the Leviathan Project, see Section 1.7.4 below.

(3) In addition to the rights in the Leviathan reservoir, the Partnership holds rights at a rate of 30% in the Aphrodite natural gas reservoir discovered in the area of Block 12 in Cyprus (hereinafter - "Aphrodite" or "Block 12"). The Aphrodite Reservoir is attributed 2C contingent resources totaling 3.48 TCF (100%). For information about the Block 12 oil asset, see Section 1.7.5 below.

(4) In addition to its rights in the Leviathan and Aphrodite reservoirs, the Partnership has rights in other oil assets, which, as at the approval date of the report, were classified by the Company as negligible oil assets, as follows:

A. Rights in the 405/Ofek Hadash and 406/Yahel Hadash exploration licenses (hereinafter - the "Ofek Hadash License" and the "Yahel Hadash License", respectively). For details, see Sections 1.7.6 and 1.7.7 below;

B. Rights in the Yam Tethys project in the I/7 Noa and I/10 Ashkelon leases (hereinafter - the "Noa Lease" and the "Ashkelon Lease", respectively). For further information see Section 1.7.8 below.

C. Rights to royalties from the I/16 Tanin and I/17 Karish leases (hereinafter - the "Tanin Lease" and the "Karish Lease", respectively), received in the transaction in August 2016 for the sale of the entire rights of the Partnership and Avner Partnership in the Tamar Lease and the Karish Lease to Energean Israel Ltd. (hereinafter - "Energean" and the "Energean Transaction", respectively). For further information see Section 1.7.9 below.

(5) The operators in the Leviathan and Aphrodite reservoirs are Chevron Mediterranean Limited and Chevron Cyprus Limited (hereinafter - "Chevron Cyprus"), [5] respectively, subsidiaries of Noble

[5] The former names of the operators in the Leviathan and Block 12 reservoirs was Noble Energy Mediterranean Ltd. (hereinafter - "Noble") and Noble Energy International Ltd., respectively, and it was changed following the merger.

Energy Inc. (hereinafter - "Noble Inc."), which merged with a wholly owned subsidiary of Chevron Corporation (hereinafter - "Chevron") in 2020.[6]

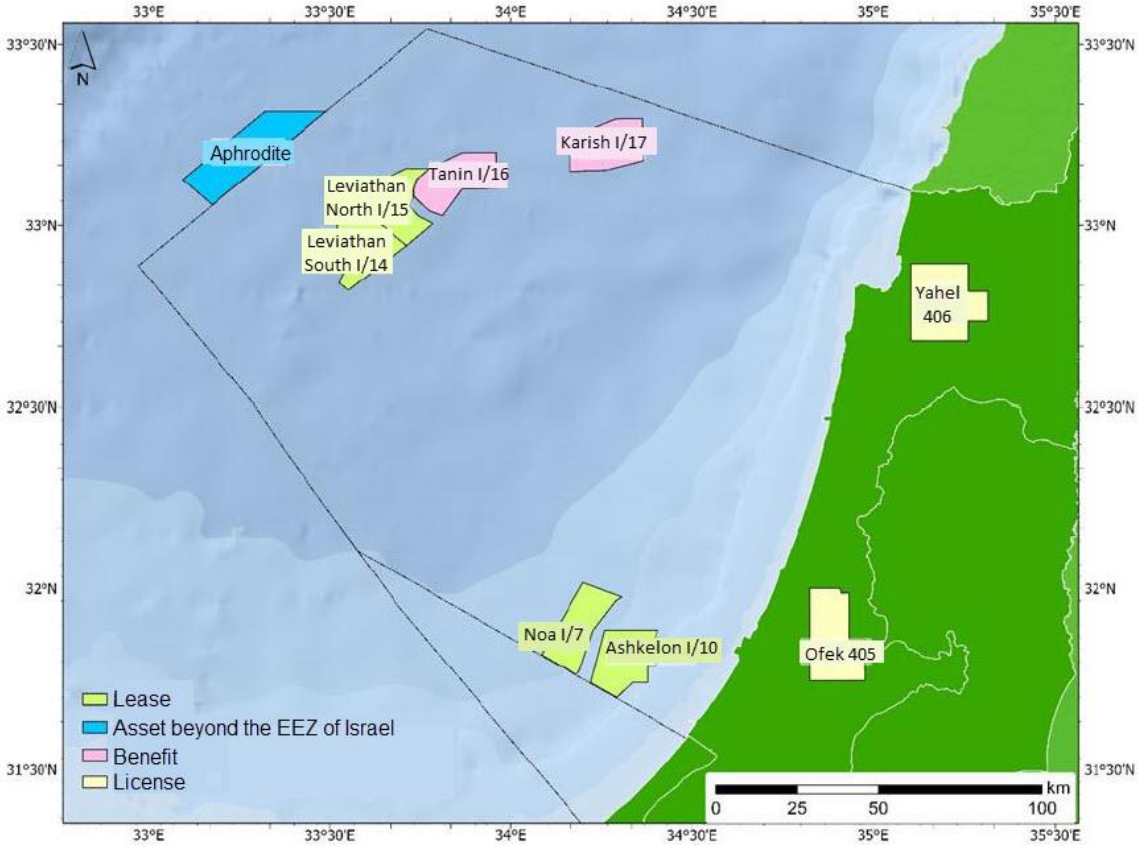
(C) The Company's holding in rights to royalties

In addition to its holdings in oil assets through the Partnership, the Company holds rights to royalties from the Partnership's oil assets and from the Karish and Tanin oil assets - owned by Energean (hereinafter, jointly - the "Rights to Royalties"), as follows:

(1) Under the 1993 agreement for the transfer of oil rights to the Partnership described in Section 1.7.33 (G)(2) below (hereinafter - the "1993 Agreement"), the Company and Delek Energy hold the rights to royalties from the Partnership (the Company's share, 25% and Delek Energy's share, 75%), at a rate of 1.5% before the investment recovery date and 6.5% after the investment recovery date, of the Partnership's share in all the oil assets in which it has, or will have, interests. The Company and Delek Energy sold their rights to royalties from the Tamar project, under the 1993 agreement, to third parties in July 2019 and June 2018, respectively. For a description of the rights to royalties of the Company and Delek Energy under the 1993 Agreement, see Section 1.7.33(G)(2) below.

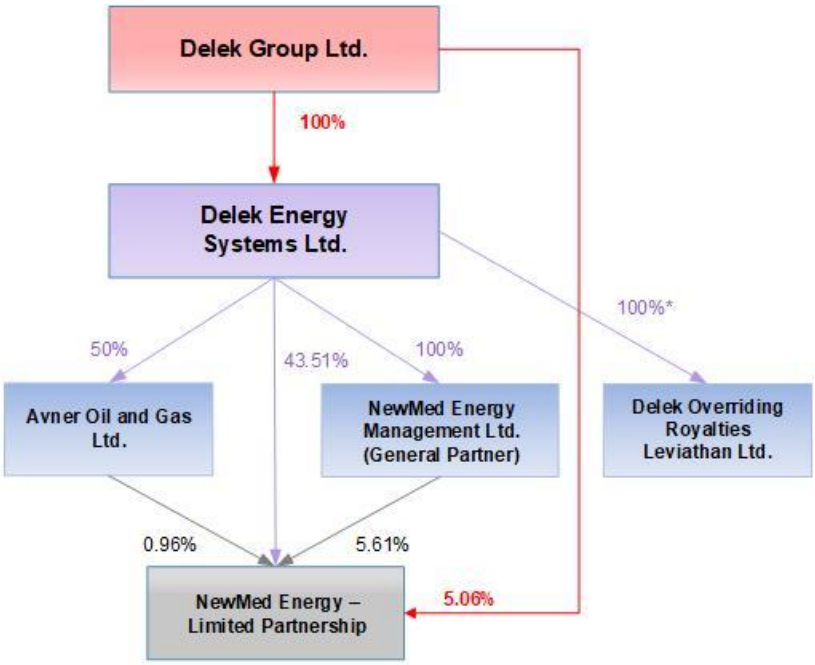
(2) In October 2020, a transaction was completed according to which the rights of the Company and Delek Energy to receive royalties from the Partnership, according to the 1993 Agreement for its rights in the Leviathan Project, were transferred to Delek Leviathan Overriding Royalty Ltd., a special purpose subsidiary (100%) of Delek Energy (hereinafter - "Delek Leviathan"), which issued debentures to classified foreign and Israeli investors guaranteed by the lien on the right to royalties from Leviathan. For further details see Section belw. REF _Ref67584493 \r \h * MERGEFORMAT

(D) Map of all locations of the Company's oil assets in the Mediterranean Sea area, as at the approval date of the report.



[6] As at the report's approval date, Noble Inc. is a wholly-owned company of Chevron. Chevron is a foreign public company and its shares are traded on the NYSE. To the best of the Company's knowledge, there is no single shareholder holding more than 10% of the issued share capital of Chevron.

(E) The chart below presents the Company's main holdings in the energy sector in Israel as at the approval date of the report:



* Without voting rights

1.7.2. General environment and effect of external factors

(A) The Petroleum Law, 1952 (hereinafter - the "Petroleum Law") regulates exploration and production of oil and natural gas in Israel, and stipulates, among other things, that exploration in Israel may only be in geographical areas where the exploration company holds oil and gas rights under the Petroleum Law. The Natural Gas Sector Law, 2002 (hereinafter - the "Natural Gas Market Law") regulates the transmission, distribution, marketing, and storage of natural gas and/or liquefied natural gas ("LNG") in Israel. In addition, the Taxation of Profits from Natural Resources, 2011 (hereinafter - the "Taxation of Profits from Natural Resources Law") Law regulates, among other things, tax issues, oil profits tax, and payment of royalties to the state. For further information about the Petroleum Law, the Natural Gas Sector Law, and the Taxation of Profits from Natural Resources Law, see Sections 1.7.23(A) and 1.7.24 and Note 12 to the financial statements, respectively.

(B) The economic viability of investments in exploration and development of natural gas reservoirs is heavily dependent on global oil and gas prices, including LNG prices, the demand for natural gas in local, regional, and international markets and on the export potential of natural gas (through pipelines, compressed or liquefied), which also requires significant gas reserves and a long-term agreements for the same of natural gas in significant quantities, which would justify the heavy investments required to establish suitable infrastructure and/or the payments for usage fees for existing infrastructure. In addition, the volume of payments to the state has a significant effect on the economic viability of investments in oil and gas projects.

(C) Development of the natural gas market in Israel began in 1999-2000 with the discovery of the Noa reservoir in the Noa Lease and the Mari B reservoir in the Ashkelon Lease. Subsequently, in 2009, the Tamar and Dalit natural gas reservoirs were discovered, in 2010, the Leviathan reservoir was discovered, followed by the discovery of the Tanin and Karish reservoirs.

In 2004, natural gas began to flow from the Yam Tethys project through the INGL transmission system. The first to be connected were the facilities of Israel Electric Corporation Ltd. (hereinafter - "IEC") and large industrial plants. In 2013, independent power plants and other plants were connected, and the total consumption of natural gas in Israel increased alongside the progress of construction of the transmission infrastructure of INGL) and the connection of consumers (including the Israel Electric Corporation's power plants and independent power producers) to the transmission system and the connection of smaller consumers to the distribution system. In December 2019, commercial production began from the Leviathan project for the local market.

(D) Over the last two decades, there have been significant changes in the natural gas sector in Israel (including regulatory, economic, commercial, and environmental changes). Within a few years, natural gas in the Israeli market has become the main component in fuel for electricity production and a material source of energy for industry. The natural gas reserves that were discovered in Israel are capable of supplying all the gas needs of the Israeli market in the coming decades, thereby significantly reducing Israel's dependence on foreign energy sources and allowing the export of commercial quantities of natural gas in substantial amounts to neighboring countries, mainly Egypt and Jordan.

According to information published by the Ministry of Energy,[7] the quantity of natural gas consumed in Israel has increased from 6.8 BCM in 2013 to 11.8 BCM in 2010, and in 2021, it is estimated by the Partnership at 12.5 BCM.

(E) In 2017, natural gas exports from the Tamar Reservoir to Jordan began, at a small volume. In July 2020, natural gas exports from the Tamar Reservoir to Egypt began, which amounted to 0.25 in 2020. To the best of the Company's knowledge, exports from Tamar in 2021 totaled 0.81 BCM. To the best of the Partnership's knowledge, and according to Ministry of Energy publications, in 2021, a total quantity of natural gas produced from the Tamar reservoir amounted to 8.7 BCM.[8]

On December 31, 2019, natural gas began to flow from the Leviathan Reservoir to the local market, and on January 1, 2020 and January 15, 2020, natural gas began to flow from the Leviathan Reservoir to Jordan and Egypt, respectively. In 2020, a quantity of 3.5 BCM of natural gas was supplied from the Leviathan reservoir to the local market and a quantity of 1.9 BCM and 1.9 BCM was supplied to Jordan and Egypt, respectively, and in 2021, a quantity of 4.55 BCM of natural gas was supplied from the Leviathan reservoir to the local market and a quantity of 2.75 BCM and 3.4 BCM was supplied to Jordan and Egypt, respectively.

(F) The Company estimates that by 2040, natural gas consumption in Israel is expected to double, among other things, due to the connection of additional gas suppliers to the national transmission system; the government's policy to phase out electricity production using polluting coal-fired plants by the end of 2025, external increase in demand for electricity (due, among other things from the sizable penetration of electric vehicles); the assimilation of compressed natural gas in some of the transportation sectors (such as the migration of buses and heavy vehicles to natural gas); the accessibility of natural gas to other industrial plants in Israel, including through a government program to support to companies that have a government concession to install pipelines, and enact legislative amendments to introduce changes in the distribution segment, for the purpose of upgrading the distribution systems; the assimilation of the use of gas in other sectors, such as housing and services; external increase in demand for electricity (including in view of the accelerated introduction of electric vehicles, electrification of the railway, and the construction of additional desalination facilities), which accordingly increases the demand for natural gas; the development of natural-gas based industries (such as the production of blue hydrogen and development of petrochemical plants and production of ammonia, which consume natural gas); and the policy actions that will be taken in favor of this issue; all this, beyond the natural growth in demand for natural gas and electricity in Israel due to population growth and an increase in the standard of living. Notwithstanding the above, the increase in demand for natural gas may decrease in the coming years, due to the government policy regarding the reduction of greenhouse gas emissions and the encouragement of use of renewable energies. For further information see Section 1.7.29 below.

(G) The Covid-19 Pandemic and its possible effect on the operating segment

At the end of 2019 and in the first quarter of 2020, the Covid-19 virus began to spread in China and then around the world and in March 2020, the World Health Organization announced a pandemic (hereinafter - the "Covid-19 Crisis").

In the first half of 2020, global markets recorded extremely sharp declines in oil and natural gas prices, which are attributed to the Covid-19 Crisis, as well as to other reasons and factors affecting the demand and supply of energy products. Nonetheless, towards the end of 2020 and during the initial months of 2021, global prices for energy products recovered, including oil and LNG prices, and

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7 Source: Ministry of Energy - Natural Gas Authority, Review of Developments in the Natural Gas Sector, Summary for 2020, https://www.gov.il/BlobFolder/reports/ng_2019/he/ng_2019.pdf.https://www.gov.il/BlobFolder/reports/ng_2019/he/ng_2019.pdf

8 Source: Ministry of Energy - Division of Royalties, Accounting, and Economics, Report on Revenue from Natural Resources - 2021 https://www.gov.il/BlobFolder/reports/income_reporte/he/revenue_report_2021.pdf.

particularly the prices of natural gas in the international natural gas trade hubs, to price levels higher than the pre-Covid prices.

It should be noted that, notwithstanding the continuation of the Covid-19 Crisis, there was an increase in demand for natural gas in 2021 compared with the corresponding period last year.

As of the report's approval date, it is difficult to estimate how the Covid-19 Crisis will develop and play out over the coming years, what its impact will be on the global and domestic economy, and how it will affect demand and prices for oil and natural gas as well as the other energy products. Under these circumstances, the Covid-19 Crisis is a global macroeconomic risk creating uncertainty regarding future global and domestic economic activity and its expected effect on financial markets, interest margins, exchange rates, and commodity prices in the energy sector and it may harm many industries, including the energy sector in which the Partnership operates.

Furthermore, if the Covid-19 crisis continues or deteriorates, the restrictions and measures that may be adopted by the Israeli government and other governments for coping with the pandemic, could have a material adverse effect on the Partnership's business and work plans. These measures may result in delays in the entry of foreign experts and in the supply of special equipment in Israel, due to restrictions on the movement of citizens between sites and countries and restrictions on production or transportation in various countries, which may, among other things, disrupt routine production and the operator's work plans, and even incur unforeseen additional costs, despite the prevention measures being taken by the Partners.

Forward-looking information: The Company's assessments of the possible consequences of Covid-19 constitute forward-looking information, as defined in Section 32A of the Israel Securities Law, 1968 (hereinafter - the "Israel Securities Law"). This information is based, among other things, on the Partnership's assessments and estimates as at the approval date of the Report, and on reports published in Israel and around the world on this subject and on the directives of the relevant authorities, the materialization of which is uncertain, in full or in part, and is not under the Company's control.

1.7.3. General information about the operating segment

(A) Structure of the operating segment and changes therein

Oil and natural gas exploration, development and production operations are complex, involving considerable costs and significant uncertainty as to costs, schedules, availability of oil or natural gas and the ability to produce it while maintaining economic viability. Consequently, notwithstanding the heavy investments, exploration, including the exploration and appraisal drilling, very often does not provide positive results and does not generate any revenues whatsoever and may result in the loss of most or all of the investment in a relatively short period.

Exploration and production of oil and natural gas are usually performed as joint ventures between a number of partners who sign a joint operation agreement (hereinafter - the "Joint Operating Agreement" or "the JOA"), under which one of the Partners is appointed as the operator of the joint venture.

Oil and natural gas exploration, development and production in any area involves several stages, including the following:

(1) Preliminary analysis of geological and geophysical data for the selection of areas showing potential for oil and natural gas exploration.

(2) Formulation of a preliminary geological model (play).

(3) Geophysical surveys, including seismic surveys, which assist in locating geological formations that may contain oil and/or natural gas ("Leads") and data processing and analysis.

(4) Examination of the Leads and preparation of viable prospects for exploration.

(5) Decision to conduct exploration drilling and preparation for drilling.

(6) Signing agreements with contractors for drilling and ancillary services.

(7) Exploration drilling including logs and other tests.

(8) Production tests if justified by the drilling findings.

(9) Analysis of drilling results, and in the event of a discovery, based on a preliminary evaluation of reservoir properties and quantities of oil and/or natural gas reserves, economic and fiscal data (including a market valuation), and a preliminary evaluation of the development format and cost. Additional seismic surveys and/or appraisal wells may be required to form a better estimate of the reservoir properties and oil and/or natural gas quantities in the reservoir.

(10) Examination of alternatives for commercializing the oil and/or gas, identification and assessment of target markets, formulation of a development plan and an economic plan for the project.

(11) Final analysis of the data and decision and final investment decision (FID).

(12) Projects for the development of natural gas findings, apart from engineering feasibility, also require the signing of long-term binding agreements for the sale of natural gas in appropriate quantities and at prices that are suitable, with customers that have the financial ability to raise project financing.

(13) Development of the reservoir, including production wells, installation of pipelines, and construction of treatment facilities.

(14) Production from the reservoir, including ongoing operation and maintenance, as well as additional development and expansion works to maintain and/or increase production capacity.

(15) Decommissioning of the field's installations after depletion of the reservoir, and after weighing various technical, economic and regulatory parameters. Abandonment actions may include, inter alia, plugging of the wells, decommissioning of the facilities and the lease area, according to various regulatory guidance and accepted local standards.

Due to the different characteristics and data in each separate project, these stages do not necessarily exhaust all the stages of the exploration, development, production, and decommissioning process for a specific project, which due to its quality and nature could include only some of these stages and/or additional stages and/or stages in a different order.

In addition, the timeframes for each stage vary according to the nature of the project.

As outlined above, the commercial viability of an oil and/or gas finding is complex and depends on many different factors. In this context, there are significant differences between an offshore finding, the development of which requires financial inputs and the use of special technologies, such as deep-water drilling or laying underwater pipelines and facilities capable of operating with high levels of reliability in deep waters, and an onshore finding, where development costs may be significantly lower. In addition, the financial, logistical and technical inputs required to develop a natural gas reservoir, including for establishing the components used for the transmission and/or transportation of the natural gas that is intended for export to the regional or international market, are generally significantly higher compared with those required for the development and production from a natural gas reservoir intended exclusively for the local market. Another key parameter is demand and price in the target markets. It is extremely difficult to develop a project of a material scope when natural gas demand and prices do not allow raising of project financing. There are also material technological, marketing and economic differences between oil reservoirs and natural gas reservoirs. For example, the economic viability of a natural gas reservoir generally derives from its marketability to a guaranteed attractive destination over the years, since natural gas, unlike oil, is not a commodity sold at similar prices worldwide, and its transportation to target markets may be complicated and entail liquefaction or compression. Furthermore, the commercial viability of an oil reservoir is greatly affected by global oil prices - for example, a reservoir that is commercially unviable when the price of oil is USD X a barrel may become commercially viable when the price increases to USD X1.5 and vice versa. In view of the above, an oil and/or natural gas reservoir that is commercially non-viable under certain market conditions may become commercial if significant changes occur in market conditions and regulation, and vice versa.

(B) Restrictions, legislation, standards, guidance, and special constraints that apply to this operating segment

For further information see Section 1.7.20 below.

(C) Market developments or changes in the characteristics of customers

As at the approval date of the report, the Partnership sells natural gas from the Leviathan projects to various customers in the local and regional market, mainly to the National Electric Power Company of Jordan (hereinafter - "NEPCO") and Blue Ocean Energy[9] in Egypt (hereinafter - "Blue Ocean").

At the same time, and in view of the significant quantity of resources discovered on Israel's coast, mainly the Leviathan and Tamar natural gas reservoirs, the Partnership is taking steps to identify markets and other customers in the local market and in neighboring countries and/or markets in Europe and Asia, subject to restrictions on gas exports, as described in Section 1.7.20(A)(5)b below.

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[9] The agreement for export of gas to Egypt was signed with Dolphinus Holdings Limited (hereinafter - "**Dolphinus**"), which endorsed in June 2020 the agreement for export to Egypt to Blue Ocean, which is a related company.

The Partnership is also promoting use of infrastructure now in existence and/or that will exist in the foreseeable future and/or that will be built specifically for the purpose of exporting natural gas, including additional ways to export natural gas, including by way of liquefaction (LNG) and/or compression (CNG). For further information on this subject, see Sections 1.7.13(B)(6) and 1.7.13(B)(7) below.The Partnership is also performing a preliminary assessment of options for producing blue hydrogen from natural gas - see Section 1.7.35(C)(2) below.For further information about the Partnership's strategy and its objectives, see Section 1.7.35 below.

(D) Factors affecting the price of and demand for natural gas and other energy products

The demand for energy in general and natural gas in particular depends on a number of key factors, including the various energy product prices and their alternatives, the growth rate of the gross domestic product (GDP), the population growth rate, living standards, weather conditions, and the energy efficiency of electricity and gas consumers and producers.

In addition, the policy of the government - especially that of the Ministry of Energy - may affect the market share of natural gas in the mix of electricity production sources in Israel, among other things, encouraging the development of energy sources as an alternative to natural gas, such as renewable energy; efforts related to energy storage; the rate of introduction of electric transportation; the rate of connecting factories to the natural gas system; construction of new power plants using natural gas; and the rate of converting coal-fired power plants to natural gas.

Prices of natural gas and liquefied natural gas (hereinafter - "LNG") in global markets and prices of alternative energy products, including renewable energies, oil, and coal, may also affect demand, as well as the volume of the Partnership's natural gas sales and the selling prices of natural gas, both under existing agreements and under future agreements, such as agreements for the sale of natural gas to liquefaction facilities and/or agreements for the sale of LNG, thereby affecting the economic viability of the promotion of new projects that depend on the LNG market or the expansion of existing projects. In addition, low LNG prices in international markets may result in an increase of LNG imports to Israel and/or regional markets, a reduction in the demands for natural gas produced in Israel in the markets relevant to the Partnership, and impairment of the Partnership's revenues from the Leviathan Reservoir. Thus, high LNG prices reduce LNG imports to Israel and/or regional markets, and increases the demand for natural gas produced in Israel.

In recent years, there was a significant increase in the production capacity of LNG, inter alia, due to the commercial activation of new liquefaction facilities or expansion of existing ones, such as the liquefaction facilities in the United States, Qatar, Russia (in the Arctic Circle) and Australia, following the outbreak of the Covid-19 pandemic in the first half of 2020, there was a decline in LNG and natural gas prices on the spot markets in Europe and Asia, where natural gas prices developed independently of the oil price, and to where the excess LNG was directed.

In 2021, there were dramatic changes in the global energy sector, resulting, among other things, to a sharp rise in prices of energy products. According to the special report of the Ministry of Energy of November 2021, The Global Energy Economy Crisis 2021,[10] among other things, prices of natural gas in Europe rose to USD 35 or more per MMBTU over the year, which is more than 10 times the price in the previous year. The authors of the report believe that the capacity of gas storage facilities in Europe, which are required to meet the higher demand for natural gas for heating in winter, is insufficient, resulting in significant pressure due to demands. Other factors in the price increase are the decrease in natural gas exports from Norway, which is one of the main suppliers of natural gas in Europe, and relatively low-force winds in 2021, which reduced electricity generation using wind turbines. According to the authors, in recent years, inland production capacity in Europe has decreased, and European reliance on imported natural gas has increased, specifically on the import of LNG from countries such as Qatar, the United States, and Algeria. Such a change is naturally complex, especially since it occurred within a short period of time, with Europe unprepared for the abrupt change in demand due to the Covid-19 Crisis and cold winter. Alongside China's entry into the global competition for natural gas, this has resulted in a sharp increase in prices and an energy crisis. According to the authors of the report, although Israel is not dependent on natural gas imports, the price of natural gas in Israel will be affected indirectly by the linkage components of supply contracts, and the global energy crisis is expected to result in an increase in natural gas prices in various contracts to a variable extent and at variable timing, however, in general, it is estimated that the price increase will be only moderate. As at the approval date of the report, the LNG price at the trading points in Europe (TTF) and East Asia (JKM) is USD 32 and USD 35 per MMBTU, respectively, which is significantly higher than the prices to which the world has become accustomed in recent

[10] https://www.gov.il/BlobFolder/reports/energy_101121/he/energy_101121.pdf

years, partly due to the slowdown in investments in natural gas projects and due to growing demand resulting from the climate crisis. According to the forecast of the International Energy Agency (hereinafter - the "IEA"), LNG prices are expected to remain high in 2022.

The high LNG prices resulted in an almost complete suspension of LNG imports to Israel, Egypt and Jordan, an increase in LNG exports by Egypt, and an increase in demand for natural gas in the regional market in general, and in Israel in particular.

Alongside the sharp rise in the price of natural gas in the global market, in 2021, there were sharp rises in the price of coal, the main consumers of which are China and India, after a slump in May 2020. At the same time, oil prices also rose in 2021, although at a more moderate rate than prices of natural gas and coal. As at the approval date of the report, the Brent price of a barrel of oil is USD 115, which is significantly higher than prices to which the world has become accustomed in recent years, partly due to the Russia-Ukraine war that broke out in February 2022. As at the approval date of the report, the Company is unable to assess how the crisis in Ukraine will develop and its effect on the operations and business results of the Partnership.

(E) Significant technological changes

In the past decades, there have been technological changes in oil and natural gas exploration, development and production, relating to data collection and analysis as well as drilling and production methods. These changes have improved the quality of data available to oil and natural gas exploration companies and allow more advanced identification of potential oil and natural gas reservoirs, and therefore might also reduce the risks involved in drilling. These technological improvements will also improve drilling and production works and allow operation under far more difficult conditions than in the past, including at significant water depths. Accordingly, oil and natural gas exploration companies are able to invest exploration efforts in areas where drilling used to be impossible, or was only possible at a very high cost and much higher risk. The Partnership and operators in the various projects in which the Partnership strive to use the best available technologies in all segments of operation. For example, up to 2021, considerable resources have been invested in the processing and re-analysing of seismic surveys using innovative technologies, in order to improve the database, update the maps of the reservoirs and assess their characterizing parameters, and accordingly to update the volume of their resources, as well as to revised the development plans. In addition, reprocessing was used to define new deep prospects. Furthermore, technologies defined as the best available technologies were used, to the extent possible, in the Leviathan Project in order to increase the efficiency of the production system, enhance the safety of the facilities, and reduce their impact on the environment.

Technological changes in production and marketing of natural gas, such as newer and more efficient technologies for converting natural gas into LNG through an onshore or offshore facility FLNG), or into CNG, and gas to liquids (GTL), may contribute to more efficient transportation and commercialization of natural gas.

(F) Critical success factors in the operating segment

(1) Identifying and obtaining exploration rights (purchase or farm-in) in areas where there is potential for a commercial finding.

(2) Financial abilities and the ability to raise considerable financial resources.

(3) Use of advanced technologies, for example, 3D seismic surveys and advanced data processing technologies for the identification and preparation of drilling prospect, for improvement of the evaluation of drilling results, and for the preparation of a development plan.

(4) Partnering with highly knowledgeable and experienced entities which operate in the sector, to perform complex drilling and/or complex development plans, using their professional knowledge and their participation in the substantial financial investments.

(5) Successful exploration operations.

(6) If natural gas is found, signing agreements for the sale of the gas in satisfactory quantities and for appropriate prices.

(7) Existence of engineering, geological, financial, and commercial knowledge, experience and ability to manage exploration, development, and production projects in considerable financial scopes, including the construction of production and export infrastructure.

(G) Entry and exit barriers

The major entry barriers in the operating segment are the permits and licenses required for oil and natural gas exploration, development, and production, compliance with the provisions of the law and regulation, including the directives and criteria established by the Petroleum Commissioner (in Cyprus - the directives and criteria established in legislation and arrangements under production sharing contract, as described in Section 1.7.5(C) below), the ability to transfer and/or purchase rights in oil and natural gas assets, including in respect of demonstration of the applicant's financial stability and the operator's technical capacity required to obtain them, as well as the existence of the technical and financial ability to make large-scale investments amounting to billions of USD, characterized by the relatively high risk level involved in exploration, development, and production.

The significant exit barriers in Israel are mainly the Partnership's commitments under long-term agreements for gas supply. In addition, both in Israel and in Cyprus, there is a requirement to plug and decommission wells and dismantle production facilities before abandoning lease areas, as set out in the lease deeds, the PSC in Cyprus, and the provisions of the law regarding the abandonment of offshore oil and gas wells.

It is noted that for all matters relating to withdrawal from existing projects by way of a full or partial sale, there may be exit barriers arising from regulatory requirements, which will apply to the buyer and from the significant financial scope of this sale.

(H) Substitutes for products of the operating segment

Natural gas is used mainly to produce electricity and is sold in Israel and the region mainly to electricity producers and industrial customers. In general, natural gas alternatives include: diesel fuel, fuel oil, coal, LPG, LNG, petcoke, and energy from renewable sources, such as solar and wind, energy, including renewable energy that may be produced beyond market demand and stored in energy storage facilities for use when the energy source is unavailable (for example, at night, when energy cannot be generated from solar sources). Each of these substitute fuels and alternative energy production methods have advantages and disadvantages, and they are subject to price fluctuations, availability, technical constraints, availability of land and more. The transition from use of one energy source to another usually requires considerable investment. The major advantages of natural gas over coal and liquid fossil fuels are that the energy efficiency of natural gas-fired power plants is significantly higher than that of coal- and diesel-fired power plants, and the emission of CO2 particles and sulfur oxides and nitrogen from combustion of natural gas is significantly lower than that of coal and fuel oil. For information about the decisions of the government of Israel regarding the encouragement of use of renewable energies and the targets set for reducing greenhouse gas emissions, see Section 1.7.29 below.

(I) Structure of competition in the field of operations

For further information see Section 1.7.15 below.

Oil assets in the Mediterranean Sea in which the Company holds rights:

1.7.4. Leviathan Project

(A) General

As at the approval date of the report, the Company's rights in the Leviathan Projects are due to its direct and indirect holdings in 54.7% of the unit capital of Delek Drilling, which holds 45.34% of the participating rights in the project, and due to the rights of the Company and Delek Energy to royalties from the Partnership's share in the project, as set out in Section 1.7.33(G) below. The information below is correct as at the approval date of the report, and refers to all the Company's direct and indirect rights in the project.

General information about the oil asset	
Name of oil asset:	Leviathan North Leviathan South
Location:	Offshore assets 130-140 kilometers west of Haifa
Area:	The area covered by the two leases together is 500 square kilometers
Type of oil asset and description of permitted operations according to the type:	Lease; Operations permitted under the Petroleum Law - exploration and production

General information about the oil asset	
Original grant date of the oil asset:	27.3.2014
Original expiry date of the oil asset:	13.2.2044
Date of decision regarding extension of the term of the oil asset:	-
Current expiry date of the oil asset:	13.2.2044
Note whether there is an additional option of extending the period of the oil asset: if so, note the period of the possible extension:	Subject to the Petroleum law, may be extended by an additional 20 years.
Name of Operator:	Chevron
Names of the direct partners in the oil asset and their direct share in the oil asset and, to the best of the Company's knowledge, the names of the controlling owners in the partners:	• The Partnership (45.34%). • Chevron (39.66%). • Ratio Energies – Limited Partnership (hereinafter - "Ratio") (15%). To the best of the Company's knowledge, the General Partner in Ratio, Ratio Oil Exploration Ltd., is owned by D.L.I.N. Ltd. (hereinafter - "D.L.I.N") (34%); Hiram Landau Ltd. (hereinafter - "Hiram") (34%); Eitan Eisenberg Ltd. (hereinafter - "Eisenberg") (8.5%), Eyal Zafriri (4.3%), Ido Porat (1.4%), Asher Porat (1.4%), Daniel Soldin (1.4%) and Adv. Boaz Ben Tzur and Adv. Robi Behar in trust for Shlomi Shukrun (15%). D.L.I.N is a private company owned by Yair Rotlevy (1/3) and Ligad Rotlevy (2/3). Hiram is a private company and its shares are held by Yeshayahu Landau, the executor of the deceased's estate, (the late Mr. Landau bequeathed his shares in Hiram to his children, Yigal Landau, Yuval Landau, and Shlomit Landau, in equal parts). Eisenberg is a private company controlled by Eitan Eisenberg.[11]

General information about the Company's share in the oil asset	
Acquisition date of the lease for the purchased oil asset:	The Leviathan Leases were granted to the Partnership on March 27, 2014 to replace the 349/Rachel and 350/Amit licenses.
Description of the Company's holding in the oil asset:	The Partnership holds directly 45.34% in each of the Leviathan leases.
Effective share of oil asset revenues attributable to equity holders of the Company:	In the right to participate in revenue: Before investment recovery – 20.57% After investment recovery – 19.33% In right to receive royalties: Before investment recovery – 0.68% After investment recovery – 2.95% In revenue: Before investment recovery – 21.25% After investment recovery – 22.28%
Total share of equity holders of the Company in the cumulative investment in the oil asset in the five years preceding the last day of the reporting year (whether recognized as an expense or as an asset in the financial statements):	USD 1,430,796 thousand

[11] As at the approval date of the report, the interested parties in Ratio Yam held less than 22% (other than the holding in mutual funds and provident funds).

(B) Main terms of the Leviathan Leases

(1) The terms and conditions of the Leviathan North and Leviathan South Leases are virtually the same. The description below presents the major issues in the Leviathan South Lease (hereinafter in this section - the “Lease"), and where there is a material difference in relation to the Leviathan North Lease, this is stated.

(2) The operator’s actions will be binding on the leaseholder and notices from the Petroleum Commissioner or his representative to the operator will be binding on the leaseholder. The provisions in this section will not derogate from the obligations and responsibilities of any of the Leviathan partners to act in accordance with the provisions of the Lease and the provisions of the law, jointly and collectively.

(3) The leaseholder will only replace the operator with advance written approval by the Petroleum Commissioner.

(4) Scope of the lease

A. The leaseholder will have the exclusive right for exploration and production of oil and natural gas in the lease area alone, for the entire term of the lease, subject to the other provisions of the lease deed and to any law.

B. The leaseholder, at its sole responsibility, will plan, finance, construct, and operate the production system and will maintain it for the purpose of its ongoing operation, through the operator, contractors, planners, and consultants who have a high level of expertise and extensive experience in their fields, in such manner so as to enable the reliable, regular, proper, and safe supply of oil and natural gas from the Leviathan field.

(5) Term of the lease

If the term of the lease ends or if the lease is revoked under the provisions of the Petroleum Law and its related regulations, or under the provisions of the lease deed, the right of the leaseholder to act by virtue of the lease deed will expire.

(6) Sales to consumers in Israel and for export

A. The leaseholder will not unreasonably refuse to supply oil and natural gas to consumers in Israel

The export of natural gas from the lease requires written approval from the Petroleum Commissioner with the approval of the Minister of Energy (hereinafter, in this section - the “Export Approval").Export Approval will be granted in accordance of the government decision regarding export and subject to the conditions therein, and in compliance with the law; and provided that actual export will only be permitted if, after implementation of the development plan, the local market is supplied with 540 BCM in accordance with the government decision.[12] In addition, exports will not be permitted in a manner that harms the leaseholder’s ability to supply natural gas from the Leviathan field to the national transmission system, in an amount of at least 1.05 MCM of gas per hour (from the areas of both Leviathan Leases). Notwithstanding the aforesaid, the Petroleum Commissioner may consider decreasing the amount that the leaseholder is required to supply from the Leviathan field to the national transmission system as aforesaid, if there is, among other things, another leaseholder that will receive a lease after March 27, 2014, that supplies or is expected to supply, within a reasonable period, gas to the national transmission system.

B. If there is a shortage of natural gas in Israel, the leaseholder will give preference to the requirements of the local market, in relation to supply capacity that is not subject to the sales commitments under a contract that is valid at such time. The quantity supplied to the local market as aforesaid will be considered to be part of the quantity earmarked for the local market under the government decision, and will not diminish from the quantity permitted for export according to the Export Approval, if granted.

(7) Construction of facilities and adjustment of the capacity to requirements of the local economy

A. The planning and construction of the production system and the transmission system to the shore according to the development plan will be performed so as to allow the supply and flow of gas to the national transmission system in an amount of at least 1.4 MCM per hour (12 BCM per year) from the areas of the Leviathan Leases together.

B. The leaseholder may, subject to receiving written approval from the Petroleum Commissioner and the Director General of the Natural Gas Authority, as applicable, increase the capacity of the

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[12] For information about the government decisions regarding export, see Section 1.7.28 below.

production system and transmission system to the supplier, and add facilities and wells, in a manner that will allow the flow of gas to the national transmission system in quantities exceeding those stated in subsection (a) above.

C. The Petroleum Commissioner may require the leaseholder, if he considers this necessary under special circumstances, to add facilities, wells, and another entry point to the production and transmission systems, in a manner that allows the safe, reliable, and effective flow of gas quantities, exceeding the quantities set out above, to consumers in Israel; this requirement will only be made under special circumstances, and while weighing and balancing all the relevant considerations, including considerations of economic feasibility, and if the Petroleum Commissioner finds that the addition has no economic feasibility for the leaseholder, only if a solution is found. If the Petroleum Commissioner makes such a demand, the leaseholder will prepare an addition to the development plan and submit it to the Petroleum Commissioner for approval within the period determined by the Petroleum Commissioner in his demand.

(8) Commercial production

A. Commercial production from the area of the lease will be in accordance with the following principles:

1. Production will be carried out with proper diligence, without waste, without creating risk, and in a way that does not harm the characteristics of the gas reservoirs in the Leviathan field.

2. Production from each well will be carried out in accordance with the maximum effective output; the Petroleum Commissioner may instruct the leaseholder, from time to time, as to the maximum output, considering the data from the gas reservoirs in the Leviathan field and their characteristics.

3. The leaseholder will maintain the quality of the gas delivered to the national transmission system in accordance with the gas specification to be determined.

B. The leaseholder will carry out commercial production in accordance with the regulations issued by the competent authorities and with the law, and in accordance with the provisions of any license, permit, and other document required for such purpose under any law.

C. The leaseholder will not start commercial production or gas flow to the leaseholder's transmission system before applying to the Petroleum Commissioner for approval to operate and before obtaining the approval of the Petroleum Commissioner.

D. At the end of each year (at least 30 days before the end of the calendar year), the leaseholder will submit a detailed work plan to the Petroleum Commissioner, describing the work planned for the lease in the following year for the purpose of production and compliance with the provisions of the lease deed, a projection of the costs for performing the operations in the work plan, and a forecast of the production rate in the following year.

E. The leaseholder will notify the Petroleum Commissioner of the planned date for beginning construction of additional facilities in order to comply with the provisions in the lease deed.

(9) Supervision companies

The planning of the production system, production of its components, its construction and operation will be supervised by qualified supervision companies with experience in supervising planning, production, construction, or operation, as the case may be, of offshore production systems, subject to the approval of the Petroleum Commissioner

(10) The development plan

A. The leaseholder will prepare and submit the development plan that it proposes for the Leviathan field to the Petroleum Commissioner for approval.

B. In the development plan, the leaseholders will include a detailed timetable for implementing the development plan for the production system for the local market, according to which commercial production and supply of natural gas to the transmission system will start 48 months from the date the lease deed was granted.

C. The leaseholder may submit a reasoned and detailed request to the Petroleum Commissioner to postpone or update the timetable set out in the development plan. The Petroleum Commissioner will postpone or update the timetable, as requested or otherwise, as he sees fit under the circumstances, if convinced that the leaseholder acted with appropriate diligence as required for meeting the timetable, and that the delay in the timetable is not due to an act or omission of the leaseholder, or due to an event the results of which the leaseholder could, with the appropriate diligence, have prevented or limited or minimized.

(11) Change of terms and conditions of the lease deeds

If a layer is discovered in the area of the lease, from which crude oil can be produced in commercial quantities, the Petroleum Commissioner will add sections to the lease deed that will include all the necessary provisions to adapt it to the production of crude oil, its processing and transmission; the leaseholder will not produce oil from the area of the lease unless these sections are added, and in accordance with their provisions.

(12) Revocation or restriction of the lease

The lease will be terminated at the end of the lease term, upon its expiry under Section 29 of the Petroleum Law or its cancellation under Section 55 of the Petroleum Law, including if one of the following terms and conditions occur:

A. The leaseholder materially deviated from a material provision of the lease deed or from the directives of the Petroleum Commissioner by virtue of the lease deed.

B. The Guarantee (as set out in Section 14 below) or a part of it has been foreclosed and the leaseholder did not complete the amount of the Guarantee as required under the provisions of the lease deed.

(13) Decommissioning plan

A. No later than the date on which the balance of the reserves (2P) in the Leviathan field, according to the updated and latest resource assessment report, is depleted to less than 125 BCM, the leaseholder will submit a detailed plan to the Petroleum Commissioner for the decommissioning of the facilities, and an estimate of the decommissioning costs (hereinafter - the “Decommissioning Plan”). If the leaseholder does not submit the Decommissioning Plan on time, or the Petroleum Commissioner finds that the Decommissioning Plan that was submitted is not suitable for approval, and the parties did not succeed in agreeing on a Decommissioning Plan, the Petroleum Commissioner will determine the Decommissioning Plan in accordance with accepted international standards.

B. As at the approval date of the Decommissioning Plan by the Petroleum Commissioner, the Petroleum Commissioner will determine a plan for the leaseholder according to which the leaseholder will provide collateral or a deposit in “an decommissioning fund”, on the dates, in the format, and according to the accrual method, as instructed by the Petroleum Commissioner, with the aim of ensuring that the leaseholder has the means required for implementing the Decommissioning Plan.

C. The leaseholder will inform the Petroleum Commissioner of the intention to abandon a well, at least 3 months before the date of the planned action, and the well will not be abandoned before receiving written approval from the Petroleum Commissioner.

(14) Guarantees[13]

A. To ensure the fulfillment of the provisions of the lease deed and any approval of the Petroleum Commissioner under the lease deed (hereinafter in this section - the “Letters of Approval"), for ensuring the payments from the leaseholders to the State under any law, and as a condition for granting the lease deed, the leaseholder will provide an autonomous, unconditional and irrevocable bank guarantee in favor of the State of Israel in the amount of USD 50 million for each of the Leviathan Leases (a total of USD 100 million, the Partnership’s share is USD 45 million), in accordance with predefined timetables (hereinafter in this section - the “Guarantee"). As at the approval date of the report, each of the leaseholders in the Leviathan Project provided their share in the Guarantee.

B. The Guarantee will remain in effect throughout the Lease term and will remain in effect after the Lease expires, provided the Petroleum Commissioner has not announced that it is no longer necessary and subject to the provisions of the Petroleum Law.

C. The Guarantee will secure the fulfillment of the provisions of the lease deed and Letters of Approval by the leaseholder, secure payments due to the State from the leaseholder by law for compensation and indemnity of the State and any State authority for any damage, payment, loss, or expense incurred by them, directly or indirectly, due to failure to fulfill any of the provisions of the lease deed or the Letters of Approval, at their due date and in full, or due to the cancellation, limitation or suspension of any of the lease terms, or due to any act or omission by the leaseholder in connection with the lease and the fulfillment of the lease terms, and to secure payment of any financial sanctions on the leaseholder under any law.

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[13] The guarantee will be provided for each of the Leviathan Leases separately, but each will apply to both leases, as aforesaid.

D. The Petroleum Commissioner may foreclose all or part of the Guarantee, in any of the circumstances set out below:

1. The leaseholder did not carry out the development plan approved by the Petroleum Commissioner and according to the conditions set out in the approval, or did not construct production system facilities, or did not begin commercial production or delivery to the transmission system on the dates set out in the lease deed or in the Letters of Approval.

2. A safety or environmental malfunction occurred as a result of the leaseholder's operations, and the leaseholder did not repair the malfunction or its consequences according to the directives of the Petroleum Commissioner and the law.

3. Regarding the Leviathan North Lease alone – the leaseholder violated a term set by the Petroleum Commissioner regarding the decommissioning of the Leviathan 2 well or did not implement the decommissioning plan for the well in the optimal manner.

4. The leaseholder did not perform the decommissioning in accordance with the Decommissioning Plan.

5. A claim or demand is filed against the State for payment of compensation for damage caused due to a violation of any of the terms in the lease deed or the Letters of Approval, due to the deficient implementation of the provisions of the lease deed or the Letters of Approval or due to cancellation of the lease deed, and if the State incurs any expense due to the claim or demand; the Guarantee will only be foreclosed to cover the amount of the claim after a court judgment on the claim has been handed down (including an arbitrator's judgment) and becomes final and conclusive, and in accordance with the amounts ruled against the State (and in the event of a settlement, subject to approval by the leaseholder, which will only be withheld for reasonable reasons) and subject the leaseholder having been given the opportunity to join as a party to the proceeding.

6. The State incurs expenses or damage as a result of the cancellation of the lease.

7. The leaseholder did not perform the tests required according to the lease deed, did not submit reports and documents as required according to the lease deed.

8. The leaseholder did not comply with any of the provisions relating to insurance as determined in the lease deed or as imposed according to any law.

9. The leaseholder violated the instructions of a representative of the IDF on any security matter related to the production system.

10. The leaseholder did not comply with the provisions in the lease deed relating to the Guarantee.

11. The leaseholder materially breached another condition in the lease deed or the Letters of Approval or the instructions of the Commissioner.

E. If the Petroleum Commissioner finds that there are alleged grounds for the foreclosure, the Commissioner will notify the leaseholder of the grounds and will allow the leaseholder to respond to the alleged grounds and the possible foreclosure, within 7 days from receipt of the warning letter, unless, under the circumstances, waiting is not possible; if the Petroleum Commissioner decided, after considering the leaseholders response, if any, that there is room for foreclosure, a notice will be sent to the leaseholder describing the breach, the reasons for the foreclosure, and the amount of the foreclosure; the Petroleum Commissioner may apply to the bank for foreclosure as from the end of the 7 days from the day the notice was delivered, unless prior to that date, the leaseholder paid the amount set out in the notice.

F. Notwithstanding the provisions in subsection (e) above, if the alleged grounds for foreclosure are an act or omission that may be remedied, the Petroleum Commissioner may notify the leaseholder that the request to the bank will be made if, within a defined period, the leaseholder does not remedy the act or omission, and the defined period passes without the leaseholder remedying the act or omission to the satisfaction of the Petroleum Commissioner.

G. If the Guarantee or any part of it is foreclosed, the leaseholder will provide a new guarantee, or supplement the balance up to the amount of the Guarantee, as it is intended to be at such time, immediately upon receipt of the demand of the Petroleum Commissioner.

H. Neither the authority to foreclose nor the foreclosure derogates from the right of the State to claim from the leaseholder payment for damages under the lease deed, or from the right of the State or the Director General of the Natural Gas Authority to claim any remedy or other relief according to any law or the lease deed.

(15) The lease deeds include additional provisions, including for the following matters: security arrangements; conditions for operation of the facilities and repair of malfunctions; tests; reporting and supervision; services to other leaseholders; provisions relating to environmental protection, safety; restrictions on the transfer of or pledge on the lease deed and assets of the production system; liability, indemnification and insurance.

(C) Compliance with the terms and conditions of the work plan in the Leviathan Project

A binding work plan has not been established for the Leviathan Project, other than the conditions in the terms of the Leviathan Leases described in Section 1.7.4(B) above.

(D) Actual and planned work plan for the Leviathan Project

The table below includes a summary of the main operations actually performed in the Leviathan Project since January 1, 2019 through to the approval date of the report and a summary of the planned operations in the project:

Leviathan Leases			
Period	**Summary of actual operations in the period or of the planned work plan**	**Estimated total budget for operations on the level of the oil asset (USD thousands)[14]**	**Actual participation of the Company's equity holders in the budget (in USD thousands)[15]**
2019[16]	• Completion of Phase I – First Stage for development of the Leviathan Reservoir and the start of gas supply from the reservoir.	1020169	252,873
	• Completion of the project for reprocessing seismic surveys and the start of interpretation of the results, among other things, regarding exploration drilling to the deep targets in the Leviathan Leases.	2,093	519
	• Assessment of various alternatives for exporting natural gas through a subsea pipeline and/or liquefaction, including FLNG, through an agreement for engineering services for a FEED and engineering plan.	1,341	332
	• Monitoring activities in the area of the Leviathan 2 well, with the aim of ensuring the continuation of environmental restoration. As at the approval date of the report, it appears that the plugging of the well in 2012 is effective, that there is no evidence of any effect from it, and that the environment is being restored gradually and continuously.	220	55
	• Continued update of the geological model and flow model, among other things, according to drilling data.		

14 The amounts for 2019-2021 are amounts that have actually been expended and audited in the financial statements.

15 The costs in the table reflect the Company's holding in the Partnership (54.7%) as at the reporting date and the Partnership's holding (45.34%) in Leviathan after the merger of NewMed Energy and Avner.

16 The costs listed in 2019 do not include the decommissioning costs attributable to the asset in the financial statements, insurance and general and administrative costs, costs for construction of the Israel transmission system up to the Israel-Jordan border, costs for participation fees in Leviathan and costs associated with the EMG Transaction.

Leviathan Leases			
Period	**Summary of actual operations in the period or of the planned work plan**	**Estimated total budget for operations on the level of the oil asset (USD thousands)[14]**	**Actual participation of the Company's equity holders in the budget (in USD thousands)[15]**
2020[17]	• Costs associated with the completion of Phase I – First Stage for development of the Leviathan Reservoir, including advancing a trial run of all the systems on the platform (including the turbo expanders), and completion of construction of the onshore condensate system, including completion of the Hagit site.	94,872	23,514
	• Continuation of production from the Leviathan Reservoir, routine operation and maintenance.		
	• Assessment of various alternatives for exporting natural gas through a subsea pipeline and/or liquefaction, including FLNG, through an agreement for engineering services for a FEED and engineering plan.	2,052	509
	• Assessment of alternatives and performing FEED to further increase the flow capacity in the EMG system, including installing a second compressor.		
	• Monitoring activities in the area of the Leviathan 2 well, with the aim of ensuring the continuation of environmental restoration.	15	4
	• Continued update of the geological model and flow model, among other things, according to drilling and production data and plans for additional drilling, to the extent required.	99	25
	• Advancing the formulation of a prospect to deep targets in the Leviathan Leases and assessment of the feasibility of conducting another seismic survey to enhance existing knowledge, in order to establish a decision on exploration drilling to the new targets.		
2021	• Continued production from the Leviathan reservoir, routine operation and maintenance, including changes and upgrades to optimizing production.		
	• Costs connected to the completion of Phase 1 - First Stage for development of the Leviathan reservoir, including operations related to integrity of the systems (asset integrity), and the draft for production and safety systems. In addition, operation of the onshore condensate system, including full operation of the Hagit site.	35.546	8,811
	• Preliminary design and purchase of equipment for the Leviathan-8 drilling in the area of the I/14	19,092	4,732

17 The costs, budgets, and operations in 2020 onwards do not include costs and budgets for the second compressor at the EMG terminal in Ashkelon in the amount of USD 39.9 million (100%, the share of the Partnership is USD 15 million, costs for construction of the combined segment in the amount of USD 140 million (100%, the share of the Partnership is USD 24 million), and costs for delivery of gas to Egypt via Jordan, as well as decommissioning costs of the reservoir and insurance, administrative, and general costs.

Leviathan Leases			
Period	**Summary of actual operations in the period or of the planned work plan**	**Estimated total budget for operations on the level of the oil asset (USD thousands)[14]**	**Actual participation of the Company's equity holders in the budget (in USD thousands)[15]**
	Leviathan South lease (hereinafter - "Leviathan-8").[18]		
	• Planning of maintenance work and improvements to the subsea electrical and control systems.	6,480	1,606
	• Formulation of a prospect to the deep targets in the Leviathan Leases. The Partnership is considering the possibility of adding a strategic partner with relevant knowledge and experience in the specification, drilling, and development of the exploration targets that were identified in the lease (specifically a carbonate buildup target).		
	• Continued update of the geological model and flow model, among other things, according to drilling and production data and plans for additional drilling, to the extent required.	69	17
	• (A) Assessment of Phase A - Second Stage for development of the Leviathan reservoir and/or other development alternatives, as required; (B) assessment of other alternatives for transmitting condensate, as part of the preparation for Phase A - Second Stage for development of the Leviathan reservoir; and (C) formulation of an alternative for exporting natural gas through a subsea pipeline and/or liquefaction (including through a floating liquefied natural gas (FLNG) facility, among other things, through an agreement for engineering services for a detailed FEED and engineering plan.	8,072	2,001
	• Monitoring activities in the area of the Leviathan 2 well, with the aim of ensuring the continuation of environmental restoration.	142	35
2022	• Continuation of production from the Leviathan Reservoir, routine operation and maintenance. • Surveys, tests, and operations to maintain the integrity of production systems on the platform and in the subsea systems (asset integrity).		
	• Continued improvement of the production system, including operations required to reduce pressure drops in the process, as well as improvement of environmental and safety monitoring and detection systems, in accordance with operational and regulatory requirements.	25,490	6,318
	• Performance of maintenance works and improvements to the subsea electrical and control systems.	21,540	5,339
	• Performance of the Leviathan-8 development and production drilling.	201,250	49,885

18 On July 12, 2021, the Leviathan partners reached a decision regarding the Leviathan-8 development and production drilling in the area of the I/15 Leviathan North lease. The budget is USD 248 million (100%, including completion and connection to the production system of the Leviathan reservoir). Drilling is expected to begin in the second quarter of 2022.

Leviathan Leases			
Period	**Summary of actual operations in the period or of the planned work plan**	**Estimated total budget for operations on the level of the oil asset (USD thousands)[14]**	**Actual participation of the Company's equity holders in the budget (in USD thousands)[15]**
	• Assessment of the option of characterizing, drilling, and developing the exploration targets in the lease area (in particular, a carbonate buildup target).		
	• Continued update of the geological model and flow model, among other things, according to drilling and production data and plans for additional drilling, to the extent required.		
	• Monitoring activities in the area of the Leviathan 2 well, with the aim of ensuring the continuation of environmental restoration.		
	• Continued assessment of Phase 1 - Second Stage for development of the Leviathan reservoir and/or other development alternatives, as required, including an alternative for export of natural gas through a subsea pipeline and/or liquefaction (FLNG).Among other things, through preparation for a FEED, a detailed engineering design, and planning for implementation.	34,500	8,552
	• Continued development of alternatives for the transmission of condensate, as part of the preparation for Phase 1 - Second Stage, preparation of a FEED, a detailed engineering design, and acquisition and execution.	21,565	5,345
2023 onwards	• Continuation of production from the Leviathan Reservoir, routine operation and maintenance.		
	• Surveys, tests, and operations to maintain the integrity of production systems on the platform and in the subsea systems (asset integrity).		
	• Continued improvement of the production system, including operations required to reduce pressure drops in the process, as well as improvement of environmental and safety monitoring and detection systems, in accordance with operational and regulatory requirements.		
	• Performance of maintenance works and improvements to the subsea electrical and control systems.	9,160	2,271
	• Completion of the Leviathan-8 drilling and connection to the existing production system.	27,660	6,856
	• Assessment of the option of characterizing, drilling, and developing the exploration targets in the lease area (in particular, a carbonate buildup target).		
	• Continuation of the assessment of Phase 1 - Second Stage for development of the Leviathan Reservoir and its implementation (provided a FID is made) and/or review of development alternatives, as required.	1,800	446
	• Continuation of advancing an alternative for exporting natural gas through a subsea pipeline and/or liquefaction, including a FLNG facility, among other things, by continuing detailed		

Leviathan Leases			
Period	**Summary of actual operations in the period or of the planned work plan**	**Estimated total budget for operations on the level of the oil asset (USD thousands)[14]**	**Actual participation of the Company's equity holders in the budget (in USD thousands)[15]**
	engineering planning and construction of facilities.		
	• Completion of development of the alternative for the flow of condensate as part of the preparation for Phase 1 - Second Stage for development of the Leviathan reservoir, and its operation.	47,925	11,879

(E) Plan for development of the Leviathan Reservoir

On June 2, 2016, the development plan for the Leviathan field was approved by the Petroleum Commissioner. In the approval letter, the Petroleum Commissioner stated that based on the opinion of an international company that was submitted to his office, the estimated total recoverable quantity natural gas, based on the development plan that was submitted, is 17.6 TCF. The Petroleum Commissioner also noted that after receiving additional data about the reservoir, and after receiving data obtained during production from the field, the recoverable quantity will be updated, in order to calculate export permits, if required, among other things. It should be noted that the operator of the Leviathan Project submitted and submits a full database to the Petroleum Commissioner, which is updated from time to time, including data of the Leviathan wells, the results of seismic survey reprocessing, the results of analyses and mapping the scope of the reservoir based in seismic inversion, updated geological and flow models, and production data. It should be noted that the valuation of the resources in the opinion is materially different from the valuation of the resources of the operator as well as from the valuation of resources submitted to the Leviathan partners by NSAI.

As at the approval date of the report, the Partnership, together with the other Leviathan partners, is continuing discussions with the Ministry of Energy regarding the possibility of updating the evaluation of the resources in the Leviathan Reservoir. However, it should be emphasized that the quantities in the current export licenses were granted licenses with respect to the total quantity in the agreements. In addition, the Partnership believes, given the Government's policy on natural gas exports, that the recoverable quantity, according to the Commissioner for Petroleum Affairs, is also sufficient for implementation of the plan to develop the Leviathan Project as set out in this section below.

On February 23, 2017, the Leviathan partners made a final investment decision (FID) for the development of Phase I - First Stage in the development plan of the Leviathan Reservoir, with an annual capacity of 12 BCM, at a budget of USD 3.75 billion (100%). The total cost invested in the development plan of the first stage of the Leviathan Reservoir as at December 31, 2021, amounts to USD 3.7 billion (100%). Subsequent to the initial running-in period, on December 31, 2019, natural gas started to flow from the Leviathan reservoir, on January 1, 2020, the sale of natural gas from the Leviathan reservoir to Jordan started under the NEPCO agreement, and on January 15, 2020, natural gas started to flow from the Leviathan reservoir to Egypt under the agreement with Blue Ocean.

(1) The plan for the full development of the Leviathan Reservoir (Phase I – First Stage and Phase I – Second Stage) includes the supply of natural gas to the local market and for export totaling 21 BCM per year, and the supply of condensate to the local market (hereinafter in this section - the “Development Plan" or the “Plan"), the main points of which are as follows:

A. The production system includes the first 8 wells to be connected by a subsea pipeline to a fixed offshore platform (hereinafter in this section - the “Platform"), in the territorial waters of Israel, in accordance with the provisions of National Outline Plan 37/H, on which the gas and condensate treatment systems will be installed. Gas will flows from the Platform to the northern entrance of the national transmission system of Israel National Gas Lines as defined in National Outline Plan 37/H (hereinafter - the “Connection Point to INGL"). The condensate will flow to the shore through a separate pipeline adjacent to the gas pipeline, and will be connected to the existing oil pipeline of Europe Asia Pipeline Co. (hereinafter - “EAPC”) that leads to the tank farm of Energy Infrastructures Ltd. (hereinafter - "PEI”) and from there to Bazan Ltd. (hereinafter - "Bazan"). In addition, a site will be constructed for storing and offloading condensate, providing backup if condensate cannot be

delivered to Bazan.[19] For further information about the approval of National Outline Plan 37/H and its provisions, see Section below and for information about the production system of the Leviathan project, see Section 1.7.13(A) below.

B. The Development Plan is implemented in two stages, depending on the maturity of the relevant markets, as follows:

Phase I – First Stage – the current stage, in which 4 subsea production wells were drilled, and a subsea production system connecting the production wells to the Platform, a system for transmission to the shore, and related onshore facilities were constructed. At this stage, annual gas production capacity is 12 BCM. At this stage, annual gas production capacity is 12 BCM.As stated, as at December 31, 2019, the flow of natural gas and condensate has started as part of the development of Phase I – First Stage.

Phase 1B – is expected to initially include another 4 producing wells, related subsea systems, and expansion of the Platform's processing facilities to increase the total production capacity of the system by an additional 9 BCM per year (to a total of 21 BCM per year). It is noted that, as at the approval date of the report, the Leviathan partners have not yet adopted an FID for the development of Phase I - Second Stage.

It should be noted that during the life of the project, additional production wells will be required to allow production in the required volume. Accordingly, on July 12, 2021, the Leviathan Partners were notified that a decision was made to drill of the Leviathan-8 development and production well in the area of the I/14 Leviathan South lease, with a budget of USD 248 million (100%, including completion and connection to the current production system of the Leviathan Reservoir). Drilling is expected to begin in the second quarter of 2022.

(2) As at the approval date of the report, and in accordance with the development plans, the daily gas supply capacity from the Leviathan Project to the INGL transmission system is 1.2 BCF at maximum production.

(3) As at the approval date of the Report, the Leviathan partners are considering advancing various alternatives for the development of Phase 1B of the Leviathan reservoir and increasing the production rate to 21 BCM per year, with the aim of making a final investment decision (FID). The development possibilities may include developing and expanding the natural gas flow infrastructure from the Leviathan reservoir to other consumers in the target markets, primarily to the Egyptian market, supply to the liquefaction facilities in Egypt, and advancing the option of liquefaction of natural gas through a floating liquefied natural gas (FLNG) facility for marketing to global markets. To assess the different expansion alternatives, the Leviathan partners approved a budget for the early stages of the FEED, as set out in Section 1.7.4(D) above.

Forward-looking information – the above estimates regarding the expected production capacity from the Leviathan reservoir, the scope of the budget, and the timetables for additional development stages of the Leviathan reservoir, including for the Leviathan-8 drilling and the drilling budget, and the receipt of approvals for its execution based on assessments and assumptions received, among others, from the operator, are forward-looking information as defined in Section 32A of the Israel Securities Law. The information is based on the assessments and assumptions of the Partnership and the operator in the Leviathan reservoir, based on diverse factors, including the development plan and the timetables for its implementation, receipt of regulatory approvals, estimated availability of equipment, services and costs, past experience, and on geological, geophysical, technical-engineering, and other information collected, including, from the scope of production from the Leviathan reservoir and from the seismic survey in the area of the Leviathan leases. The estimates in this report may not materialize or may materialize in a materially different manner if there are changes and/or delays in the diverse factors described above, and if the estimates and assessments that were received change, inter alia due to geological conditions and/or operating and technical conditions and/or regulator changes, changes in market conditions, and/or range of geopolitical changes and/or regulatory changes and/or operational and technical conditions in the Leviathan Reservoir and/or from unforeseen factors related to the exploration, production, and marketing of oil and natural gas and/or as a result of progress in the development of the Leviathan Reservoir until its completion.

(F) Actual participation rate in the expenses and revenues in the Leviathan Leases

19 In the context of installing the pipeline to the Hagit site, the Partnership provided a guarantee in the amount of NIS 2.3 million in favor of the Israel Land Authority (hereinafter - the "**ILA**").

Participation rate	Percentage before investment recovery	Percentage after investment recovery	Rate grossed up to 100% before investment recovery	Rate grossed up to 100% after investment recovery	Explanations
Actual rate attributable to equity holders of the Company in the oil asset	24.78%	24.78%	100%	100%	See the description of the chain of holdings in Section 1.7.4(A) above.
Actual rate attributable to equity holders of the Company in revenues from the oil asset	21.25%	22.28%	85.74%	89.89%	See the calculation in Section 1.7.4(F) below.
Actual rate of participation of the Company's equity holders in expenses arising from exploration, development and production in the oil asset	25.03%-25.78%	25.03%-25.78%	101%-104%	101%-104%	See the calculation in Section 1.7.4(H) below.

(G) Participation rates of the equity holders of the Company in revenues from the Leviathan Leases

Description	Percentage before investment recovery	Percentage after investment recovery	Summary of the calculation method for Royalties or payments
Projected annual revenues of the oil asset	100%	100%	
Royalties or payment (arising from revenues after the finding) related to the oil asset:			
The State	(12.50%)	(12.50%)	As stipulated in the Petroleum Law, the royalties are calculated at market value at the wellhead. The actual royalty rate may be lower due to deduction of expenses for the gas delivery and handling system up to the onshore gas receiving terminal.
Adjusted revenues at the oil asset level	87.5%	87.5%	
Share of the adjusted oil asset revenues attributable to the equity holders of the Company (linked)	24.78%	24.78%	
Share of the equity holders of the Company in the actual rate of revenues, at the oil asset level (before other payments at the level of the Company)	21.69%	21.69%	

Description	Percentage before investment recovery	Percentage after investment recovery	Summary of the calculation method for Royalties or payments
Information about the royalties or payments (derived from the income after the finding) in respect of the oil asset at the level of the Company (the percentages below are calculated according to the rates of the equity holders of the Company in the oil asset):			
Share of the equity holders of the Company in payments to related parties and third parties	(1.12%)	(2.36%)	The Partnership pays royalties to the Company and Delek Energy for its share in the oil asset at a rate of 4.5% before investment recovery and 9.5% after investment recovery, calculated at the wellhead market value.[20]The calculation method for these rates is based on principles for calculating royalties to the State, therefore these rates may change if the calculation method of royalties to the State changes. For further information, including about the publication of draft directives for public comment regarding the calculation method of the royalty value at the wellhead for offshore oil rights, see Sections 1.7.33(G)(4) and 1.7.1(B)(1) below.
Total	20.57%	19.33%	
Rates of holders of the Company's equity in revenues due to additional royalties from the asset	0.68%	2.95%	Calculated on the basis of the right to royalties from the Partnership as set out in Section 1.7.1(C)(1) above. The calculation method for these rates is based on principles for calculating royalties to the State, therefore these rates may change if the calculation method of royalties to the State changes. For further information about the calculation method of the royalty rates, see Section 1.7.33(G)(1) below.
Actual rate attributable to equity holders of the Company in revenues from the oil asset	21.25%	22.28%	

(H) <u>Share of the equity holders of the Company in exploration, development and production expenses in the Leviathan Leases</u>

Description	%	Summary of the calculation method for Royalties or payments
Theoretical expenses for the oil asset (without royalties)	100%	
Payments (derived from the expenses) at the oil asset level:		
Operator	1%-4%	A rate of 1% for the operator's indirect expenses out of the total direct expenses for development and production, subject to certain exceptions, such as marketing activity. A rate of 1%-4% for exploration expenses, where the rate of payment to the operator decreases with the increase in exploration expenses.

[20] The parties entitled to royalties are Delek Group, Delek Energy, and others that are not related parties.

Description	%	Summary of the calculation method for Royalties or payments
		These amounts are for payment of indirect expenses to the operator and are in addition to reimbursement of direct expenses to the operator.
Total actual rate of expenses at the level of the oil asset	101%-104%	
Share of the equity holders of the Company in the oil asset's expenses (linked)	24.78%	
Total share of the equity holders of the Company in expenses, at the level of the oil asset (before other payments at the level of the Company)	25.03%-25.78%	
Payments (derived from the expenses) in respect of the oil asset and at the level of the Company (the following percentages will be calculated in accordance with the share of the equity holders of the Company in the oil asset):		
Actual share of expenses for exploration, development, and production in the oil asset, attributable to equity holders of the Company	25.03%-25.78%	The Partnership pays management fees to the General Partner, which consist of a fixed amount and a variable amount calculated as a rate of the exploration expenses on fulfillment of certain conditions. These amounts were not taken into account in this table.

(I) Royalties and payments paid during exploration operations in the oil asset (in USD thousands)[21]

Description	Total share of equity holders of the Company in investment in the oil asset in this period (including costs for which payments are not made to the operator)	Of which, the share of equity holders of the Company in payments to the General Partner	Of which, the rates of equity holders of the Company in payments to the Operator (in addition to the return of direct expenses)
Actual budget invested in 2019	310,120	-	2,513
Actual budget invested in 2020	55,472	-	527
Actual budget invested in 2021	62,660	-	474

(J) Reserves, contingent and prospective resources in the Leviathan Lease

For information about the appraisal of the reserves and contingent resources attributable to the Leviathan oil asset and the resulting discounted cash flow from the Company's share in the oil asset, as at December 31, 2021, see the Company's immediate report of February 20, 2022 (Ref. No.: 2022-01-020293), which is included here by way of a reference (hereinafter - the "Leviathan Reserves Report"). Attached as Appendix A to the report is the consent of NSAI to include the Leviathan resources report in this report, including by way of a reference, and a letter from NSAI regarding the absence of material changes in the appraisal of resources in the Leviathan leases.

For information about the prospective resources attributable to the Leviathan oil asset, as at December 31, 2019, see Section 1.7.4(J)(11) to the Company's Periodic Report for 2019 (hereinafter - the "Company's Periodic Report for 2019"), the information in which is presented by way of a reference. As at December 31, 2021, there has been no change to this information. Attached, as Appendix A to the report, the consent of NSAI to include the report in this report, including by way of a reference, and a letter from NSAI regarding the absence of material changes in the Leviathan Leases.

Forward-looking information - the Partnership's above assessments as to the planned operations, the costs, time tables and actual execution of the planned operations, including the

[21] The amounts in the table reflect the Company's holding in the Partnership (54.7%).

possibility of expanding the supply capacity and production rate of the Leviathan Project constitute forward-looking information as defined in Section 32A to the Securities Law, which is based on the Partnership's assessments, as to the planned operations, the costs, time tables and the actual execution of the planned operations which are all based on assessments the Partnership received from the operator. The planned operations, the time tables and actual production rate may be materially different from the above assessments, and are conditional, among other things, on the Leviathan Partners making appropriate decisions, obtaining the approvals required under any law, completion of the detailed planning of the operations' components, receiving quotes from contractors, changes in the global suppliers and raw material markets, applicable regulation, technical capabilities, and economic viability.

1.7.5. Rights in Cyprus - Block 12 Project

As at the approval date of the report, the Company's rights in the Block 12 projects are due to its direct and indirect holdings of 54.7% of the unit capital of NewMed Energy, which holds 30.0% of the participating rights in the project, and due to the rights of the Company and Delek Energy to royalties from the Partnership's share in the project, as set out in Section 1.7.1(C)(1) above. The information below is correct as at the approval date of the report, and refers to all the Company's direct and indirect rights in the project.

(A) Background

On February 11, 2013, the Cypriot authorities approved the transfer of 30% of Chevron Cyprus' rights in the production sharing contract dated October 24, 2008 (hereinafter - the "Production Sharing Contract" or "PSC"), which grants oil and/or gas exploration, appraisal, development and production rights in the exclusive economic zone of the Republic of Cyprus known as Block 12 ("Block 12") and in the exploration license under the PSC (hereinafter in this section - the "Exploration License").

On November 7, 2019, the holders of rights in the PSC and the Cyprus government signed an amendment to the PSC (hereinafter - "Amendment to the PSC") and in parallel, the rights holders were granted a production and exploitation license (hereinafter in Section 1.7.5 - the "License" or the "Exploitation License" or "Block 12 License") and a development and production plan was approved for the reservoir (hereinafter in Section 1.7.5 - the "Development Plan"), as described in Section 1.7.5(K) below. The Production Sharing Contract and the Amendment to the Production Sharing Contract will be referred to hereinafter - the "Production Sharing Agreement".

(B) General information about Block 12

General information about the oil asset	
Name of oil asset:	Block 12
Location:	An offshore area in the exclusive economic zone of Cyprus 35 km north west of Leviathan reservoir[22]
Area:	386 square kilometers
Type of oil asset and description of permitted operations according to the type:	Exploitation license granted subject to the PSC
Original grant date of the oil asset:	7.11.2019
Original expiry date of the oil asset:	7.11.2044

[22] It should be noted that most of the Aphrodite reservoir is located in the exclusive economic zone of Cyprus, and a small percentage in the license area of the 370/Ishai field (hereinafter - the "**Ishai License**") in the exclusive economic zone of Israel. It should also be noted that the Aphrodite reservoir partners were contacted by the Ishai license partners and the Ministry of Energy regarding the need to regulate the rights of these parties prior to adoption of a resolution on the development of the Aphrodite reservoir. The position of the partners in the Aphrodite reservoir is that the matter is within the governments' authority and they will act in accordance with the mechanism for regulation of the parties' rights as to be determined by the governments and in accordance with international law. Additionally, further to discussions between the governments of Israel and Cyprus to regulate the parties' rights in the Aphrodite reservoir, on March 9, 2021, the governments signed a memorandum of understanding instructing the partners in the Aphrodite reservoir and the holders of the rights in the Yishai license to conduct direct negotiations to regulate the issue of the migration of the Aphrodite reservoir, which includes principles and timetables for the negotiations. On February 6, 2022, Israel's Minister of Energy notified the partners in the Aphrodite reservoir and to the companies holding the Yishai License that if a profit-sharing agreement is not signed by March 4, 2022, negotiations on this matter will be handed over to the governments of Israel and Cyprus. As at the approval date of the report, the date for signing the agreement has passed without the parties reaching agreements.

General information about the oil asset	
Date of decision regarding extension of the term of the oil asset:	-
Current expiry date of the oil asset:	November 7, 2044 (25 years from the license grant date).
Note whether there is an additional option of extending the period of the oil asset: if so, note the period of the possible extension:	Extendable by 10 more years
Name of Operator:	- Chevron Cyprus
Names of the direct partners in the oil asset and their direct share in the oil asset and, to the best of the Company's knowledge, the names of the controlling owners in the partners:	• Chevron Cyprus (35%). • BG Cyprus (35%). To the best of the Company's knowledge, BG Cyprus is a subsidiary (indirectly) of Royal Dutch Shell Plc. (hereinafter - "Shell"), an energy company that deals in all segments of the gas and oil industry and operates in over 70 countries worldwide.[23] • The Partnership (30%).
General information about the Company's share in the oil asset	
Acquisition date of the lease for the purchased oil asset:	22.1.2009. On February 11, 2013, the Cypriot authorities approved the transfer of the rights in the PSC and the exploration license to the Partnership.
Description of the Company's holding in the oil asset:	The Company holds the oil asset through its direct and indirect holdings in the Partnership's participating units and its right to receive direct and indirect royalties.
Effective share of oil asset revenues attributable to equity holders of the Company:	For further information see Section 1.7.5(H) below.
Total share of equity holders of the Company in the cumulative investment in the oil asset in the five years preceding the last day of the reporting year (whether recognized as an expense or as an asset in the financial statements):	USD 6,520 thousand

(C) Additional information about the Block 12 and the PSC

(1) In the PSC, the Partners undertook, among other things, to comply with the main milestones for the development of the reservoir, as follows:

A. Drilling of an appraisal/development well in the area of the license in accordance with the development plan and completion within 24 months from the date the production license is received, meaning, up to November 2021. On October 13, 2021, the Cyprus government approved the extension of the partners' undertaking to carry out the drilling for an additional 12 months, meaning, until November 2022.

B. Completion of a detailed front end engineering design (hereinafter - the "FEED"), delivery of the outputs in accordance with the Development Plan and adoption of a final investment decision ("FID") for development of the Reservoir, within 48 months after receiving the Production License (until November 2023).

The PSC sets out circumstances in which the Partners to the license will be entitled to an extension for the purpose of meeting the milestones, with the deadline for adoption of a FID being 6 years after receiving the Production License. It should be noted that failure to comply with the milestones set out in the PSC will constitute grounds for cancellation of the PSC, other than for reasons of force majeure (as defined in the PSC).

(2) It is noted that in the Amendment to the PSC, other changes and updates were made, including, with respect to the transfer of rights by the parties, approval of an annual budget and work plan, the manner of approving changes to plans and budgets, the manner of calculating the various expenses,

[23] Further information about Shell is available on their website: https://www.shell.com/about-us/who-we-are.html.

changes in the grounds for termination of the PSC, arrangements for ensuring the plugging, dismantling, and removal of wells and facilities at the end of the term of the PSC, and more.

(3) Payments to the Republic of Cyprus

A. The Republic of Cyprus is entitled to one-time bonuses from the holders of rights in Block 12 when reaching the milestones for the average daily production rate for a continuous period of 30 days, which may amount to USD 9 million (100%).

B. The PSC sets mechanisms for distribution of oil and natural gas. It should be noted that the Republic of Cyprus may receive its share in the oil or natural gas in kind.

1. Oil sharing

The Block 12 rights holders will share the oil produced (after offsetting the expenses set out below) with the Republic of Cyprus according to the average daily production rate of oil, if any, as follows:[24]

Average daily production (in barrels)[25]	Price per barrel (USD)		
	Up to 50	Between 50.01 and 100	More than 100
	The Republic of Cyprus' share (including Cypriot company tax)		
For the share of the average daily production of less than 50,000 barrels (inclusive)	60%	63%	65%
For the share of the average daily production of between 50,001 and 100,000 barrels (inclusive)	63%	67%	72%
For the share of the average daily production of between 100,001 and 150,000 barrels (inclusive)	70%	75%	80%
For the share of the average daily production of between 150,001 and 200,000 barrels (inclusive)	77%	80%	83%
For the share of the average daily production of over 200,000 barrels	83%	85%	85%

2. Sharing of natural gas

a) Prior to its amendment dated November 7, 2019, the PSC set out a mechanism for sharing of natural gas produced in the license area based on the average daily production rate.

b) Following the Amendment to the PCS, a new mechanism for sharing the natural gas output was established based on an R-factor. According to this mechanism, the partners will be entitled to 55% of the annual revenues from the natural gas output, up to coverage of all of their recognized capital and current expenses (hereinafter - the "**Expense Coverage Outpu**t"), whereas the balance (hereinafter - the "**Distributable Output**") will be divided between the partners and the Cypriot government according to the R-factor, the numerator of which consists of the total net accrued revenues and the denominator consists of the total accrued capital investments. According to the new mechanism, the Cypriot government's share of the Distributable Output increases linearly as a function of the factor and will reach a maximum rate when the R-factor equals 2.5. In this regard:

1) "Net Accrued Revenue" means: the partners' share of the revenue actually received from the gas output (including the Expense Coverage Output), less operating expenses borne by the partners in the lease area, as from the date of signing the PSC (October 28, 2008) to the end of the quarter preceding the calculation date (hereinafter - the "Calculation Period").

2) "Accrued Capital Investments" means: the development expenses, production expenses of a capital nature (excluding operating expenses) and all exploration expenses related to the area under the PCS actually incurred during the Calculation Period.

For information regarding to participation rate of the equity holders in the Partnership, according to 4 theoretical scenarios only, based on which the R-factor was calculated, see Section 1.7.5(H) below.

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24 It should be noted that the oil sharing mechanism was not amended in the Amendment to the PSC.

25 The calculation is made progressively based on the levels in the table.

(4) The Republic of Cyprus' share of the natural gas and/or oil will be calculated every year from the sales revenues of the natural gas and/or oil remaining after offsetting the Block 12 project rights holders' expenses for exploration, appraisal, development, production and operation (hereinafter - "Block 12 Expenses")[26] of up to 55% of the total revenues from the gas produced and up to 49% of the total oil revenues (hereinafter - "Production Intended to Cover Reimbursement of Expenses"). If the expenses are higher than the Production Intended to Reimbursement of Expenses, the entire surplus will be carried over to the next year until the expenses are fully covered or until the PSC ends. Expenses not covered by the termination date of the PSC will not be reimbursed.

(5) Expenses recognized in the Production Intended to Cover Reimbursement of Expenses under the PSC are subject to the approval of the Republic of Cyprus and include direct exploration and appraisal expenses; staff and subcontractor employment expenses; office rental; expenses for statutory environmental protection requirements, cost of materials, insurance expenses, legal fees, staff training expenses, the Operator's general and administrative expenses for the project, and any other reasonable expense required for reasonable and efficient exploration efforts. It is noted that the expenses to establish and operate an export facility are not recognized in the Production Intended to Cover Reimbursement of Expenses.

(6) The bonuses in Section 1.7.5(C)(3)a above do not include the foregoing offsetable expenses.

(7) Payment of the Republic of Cyprus' share of the gas and/or oil produced also includes the corporate taxes that the rights holders will have to pay the Republic of Cyprus.

(8) The Republic of Cyprus may also require the Block 12 rights holders, by written notice, to sell gas to it from the production not intended to cover reimbursement of expenses, subject to compliance by the Block 12 rights holders with their obligations under natural gas supply agreements, if any.

(9) Under the PSC, any change in control of Delek Group or the Partnership, indirectly or indirectly, is subject to the advance approval of the Republic of Cyprus.

(10) Termination of the PSC

A. The Republic of Cyprus may cancel the PSC by three or six months' notice, as set out in the PSC, under one of the following conditions: (a) Breach of the provisions of Cypriot law and regulations; (b) arrears in payments to the Republic of Cyprus for 3 consecutive months; c) breach of the development plan for 6 consecutive months, other than due to a force majeure event, as defined in the PSC; (d) regarding the production period, continuous suspension of production for two consecutive months or disruption of production for 6 consecutive months for reasons not approved by the Republic of Cyprus, other than a justified reason or force majeure event, as defined in the PSC; (e) financial or technical inability of a partners to meet their obligations under the PSC due to an event of bankruptcy, debt settlement, receivership of any of the partners or their parent company or any other event resulting in a material impairment of the financial or technical abilities of any of the partners compared to their state at the time of signing the PSC.

B. The holders of rights in the project may waive their rights to any oil and/or gas field in the license area after giving 6 months' notice to the Republic of Cyprus.

(11) Performance guarantees to the Republic of Cyprus

For information about the unlimited performance guarantee provided by Delek Israel in favor of the Republic of Cyprus, to guarantee full implementation of all the Partnership's undertakings under the concession agreement, see Section (E) to Regulation 22 in Chapter D to this report.

(D) Operations in the area of Block 12 before the Company held the oil asset

Operation carried out by	Period in which the operation was carried out	Summary of the operation	Summary of the operating outcomes
Chevron Cyprus	2011-2012	Preparations for the Aphrodite A-1 appraisal drilling, drilling and initial analysis of the drilling results, and preparation for the appraisal drilling.[27]	-

26 Block 12 expenses are recognized every year according to reports submitted by the project operator and is limited to the budget submitted to the Republic of Cyprus for approval as part of the annual work plan approval process under the PSC.

27 The Aphrodite A-2 appraisal drilling began on June 7, 2013 and ended on October 2, 2013.

(E) Compliance with the terms of the binding work plan in Block 12

The binding work plan in the Block 12 was completed in full by the approval date of the report.

(F) Actual and planned work plan for Block 12

The table below includes a summary of the main operations actually performed in the oil asset from January 1, 2019 through to the approval date of the report and a brief description of the planned operations:

Block 12 Project			
Period	**Summary of actual operations in the period or of the planned work plan**	**Estimated total budget for operations on the level of the oil asset (USD thousands)[28]**	**Actual participation of the Company's equity holders in the budget (in USD thousands)**
2019	• Continued assessment of various alternatives for development of the Aphrodite reservoir.	3,190	523
	• Submission of a revised development plan for the Aphrodite reservoir to the Cypriot government.	1,175	193
	• Continued geological, geophysical, and engineering analysis of existing databases in the license, partially by integrating information from adjacent fields and updating the geological model and flow model.		
	• Continued assessment of a possible location for an appraisal well, and its scope and cost.	296	49
	• Continued analysis of the prospects in the license area, partially due to the findings from adjacent fields, and particularly technical and economic analysis of the deep prospect.		
	• Planning for additional drilling in the license area.		
2020	• Continued geological, geophysical, and engineering analysis of existing databases in the license, partially by integrating information from adjacent fields and updating the geological model and flow model.	2,056	337
	• Planning an appraisal well that will be converted, if necessary, into a production well.	3,372	553
	• Continued analysis of the prospects in the production license area, partially due to the findings from adjacent fields, and particularly technical and economic analysis of the deep prospect.		
	• Preparation of a front end engineering design prior to adoption of a final investment decision.	2,131	350
	• Continued examination of the options for commercialization of the natural gas from the Aphrodite reservoir.	885	145

28 The amounts for 2019-2021 are those actually expended and audited in the financial statements.

Block 12 Project			
Period	**Summary of actual operations in the period or of the planned work plan**	**Estimated total budget for operations on the level of the oil asset (USD thousands)[28]**	**Actual participation of the Company's equity holders in the budget (in USD thousands)**
2021	• Continued geological, geophysical, and engineering analysis of existing databases in the license, partially by integrating information from adjacent fields and updating the geological model and flow model.		
	• Planning and examining implementation of an appraisal well, if necessary, that will be converted into a production well.	2.013	330
	• Continued analysis of the prospects in the production license area, partially due to the findings from adjacent fields, and particularly technical and economic analysis of the deep prospect.		
	• Continued examination of the options for commercialization of natural gas from the Aphrodite reservoir by conducting Pre-FEED and ocean surveys.	7,156	1,174
2022 onwards[29]	• Continued geological, geophysical, and engineering analysis of existing databases in the license, partially by integrating information from adjacent fields and updating the geological model and flow model.		
	• Implementation of an appraisal drilling, if necessary, that will be converted into a production well.	122,672	20,119
	• Continued analysis of the prospects in the production license area, partially due to the findings from adjacent fields, and particularly technical and economic analysis of the deep prospect.		
	• Continued examination of the options for commercialization of natural gas from the Aphrodite reservoir by conducting Pre-FEED and ocean surveys.		
	• Promoting an alternative to commercialization of natural gas from the Aphrodite reservoir. Conducting a FEED and planning for implementation.	26,770	4,391
	• Examining the possibility of adopting an FID for development of the Aphrodite reservoir in the format in Section 1.7.5(K) below.	2,500,000 to 3,000,000	---- 416,175 to 499,410

Forward-looking information: The Company's estimate regarding the planned operations in Block 12 (including development of the Aphrodite reservoir), including costs, schedules, and actual performance, is forward-looking information, as defined in Section 32 of the Israel Securities Law, based on estimates of the general partner regarding the work plan components, which are all based on estimates received by the Partnership from the Operator.

29 As at the reporting date, out of these budgets, the Block 12 partners approved a budget of USD 32 million for 2022 (100%), which the government of Cyprus has not yet approved. It should be noted that this budget does not include the cost of the A-3 appraisal drilling (as defined in Section 1.7.5(K) below).

Implementation of the actual work plan, including schedules and costs, is subject to the Partners' approval and may differ materially from the above estimate, and is partially subject to applicable regulation, technical capacity, and economic viability.

(G) Actual participation rate in the expenses and revenues in Block 12

Participation rate	Percentage before investment recovery	Percentage after investment recovery	Rate grossed up to 100% before investment recovery	Rate grossed up to 100% after investment recovery	Explanations
Actual rate attributable to equity holders of the Company in the oil asset	16.40%	16.40%	100%	100%	As set out in Section (A) above.
Actual rate attributable to equity holders of the Company in revenues from the oil asset	For further information see Section 1.7.5(H) below.				
Actual rate of participation of the Company's equity holders in expenses arising from exploration in the oil asset	16.56%-17.06%	16.56%-17.06%	101%-104%	101%-104%	See the calculation in Section 1.7.6(I) below.

(H) Participation rates of the equity holders of the Company in revenues from Block 12

The table below presents details regarding the participation rate of the equity holders in the Company out of the revenues from natural gas produced from the oil asset, if any, according to the new distribution mechanism, based on 4 theoretical scenarios only, according to which the R-factor was set at 1, 1.5, 2 and 2.5. It should be emphasized that the data in the following table are based on calculations made under various work assumptions and assessments, among other things, regarding the production rate and sale of natural gas from the reservoir, the current production costs, etc., which may actually be materially different to the assessments and assumptions taken into account.

As at the approval date of the report, the Partnership and the Company (and the other parties entitled to royalties from the Block 12 oil asset) have not yet examined the question of whether to royalties to be paid to the Partnership for its rights in the Block 12 project, out of its gross share in the oil asset, meaning prior to distribution of the gas to be produced between the Republic of Cyprus and the Partnership according to the provisions of the PSC, or out of the Partnership's net share, meaning after deducting the Republic of Cyprus' share, and the method of calculating the royalty from this asset is uncertain. The table below presents data regarding both of the foregoing options.

	R-factor 1	R-factor 1.5	R-factor 2	R-factor 2.5	Remarks
Total revenues from natural gas output	100%	100%	100%	100%	
Cyprus Republic's share of the revenues from natural gas output	15.75%	21.75%	50.75%	67.5%	The figures in the table are based on calculations made on the basis various working assumptions, among other things, regarding the development and operating costs of the project, the rate of production and sale, gas prices, etc.

	R-factor 1	R-factor 1.5	R-factor 2	R-factor 2.5	Remarks
The partner's share of the revenues from natural gas output	84.25%	78.25%	49.25%	32.5%	
The Company's share in the oil asset	16.40%	16.40%	16.40%	16.40%	
The Company's share of the revenues from the natural gas output, before payment of overriding royalties	13.82%	12.83%	8.08%	5.33%	
Payment of overriding royalties to various parties	0.74%	1.56%	1.56%	1.56%	The parties entitled to royalties are the Company, Delek Energy, and others that are not related parties. It should be noted that the figures in this table were calculated according to the Partnership's position, whereby the overriding royalties in Block 12 apply to the Partnership's share in the natural gas output, meaning after deducting the State's share of the output (as opposed to overriding royalties from oil assets in Israel, which apply to the Partnership's share in the output before payment of the State's royalties under the Petroleum Law).
Effective participation rate of the equity holders in the Company, in the revenues from the natural gas output, assuming that the royalties are calculated from the Partnership's gross revenues (before deduction of the Republic of Cyprus' share)	13.08%	11.27%	6.52%	3.77%	These revenues are from the Company's and Delek Energy's rights to royalties from the Partnership's share
Effective participation rate of the equity holders in the Company, in the revenues from the natural gas output, assuming that the royalties are calculated from the Partnership's net revenues (after deduction of the Republic of Cyprus' share)	0.45%	1.95%	1.95%	1.95%	

	R-factor 1	R-factor 1.5	R-factor 2	R-factor 2.5	Remarks
Effective participation rate of the equity holders in the Company, in the revenues from the natural gas output, assuming that the royalties are calculated from the Partnership's gross revenues (before deduction of the Republic of Cyprus' share)	13.53%	13.22%	8.47%	5.72%	
Effective participation rate of the equity holders in the Company, in the revenues from the natural gas output, assuming that the royalties are calculated from the Partnership's gross revenues (before deduction of the Republic of Cyprus' share)	13.57%	13.14%	8.27%	5.46%	

Forward-looking information: The above figures regarding the participation rate of the equity holders in the Company from the revenues deriving from the oil asset, if any, is forward-looking information, as defined in section 32A of the Israel Securities Law. These figures are based to a large extent on various work assumptions and assessments, inter alia, regarding the production rate of natural gas from the reservoir, the natural gas quantities and selling prices, the development costs of the reservoir and facilities, the current production costs, etc. It is emphasized that in practice, these figures may be materially different to the foregoing assessments and assumptions, and are affected and contingent, inter alia, to completion of the detailed design of the development plan, actual performance of the project and various other factors over which the Company does not have full control or which it is unable to estimate with sufficient certainty.

(I) Participation rates of the equity holders of the Company in exploration and development expenses in Block 12

Description	%	Summary of the calculation method for Royalties or payments
Theoretical expenses for the oil asset (without royalties)	100%	
Payments (derived from the expenses) at the oil asset level:		
Operator	1%-4%	A rate of 1.5% for the operator's indirect expenses out of the total direct expenses for development,[30] subject to certain exceptions, such as marketing activity.A rate of 1%-4% is attributable to exploration expenses. These amounts are for payment of indirect expenses to the Operator and are in addition to reimbursement of direct expenses paid to the Operator. The rate of payment to the Operator decreases as exploration expenses increase.
Total actual rate of expense at the level of the oil asset	101%-104%	

30 It is noted that as of the report's approval date, the said rate in respect of the production operations has yet to be agreed on.

Description	%	Summary of the calculation method for Royalties or payments
Share of the equity holders of the Company in the oil asset's expenses (linked)	16.40%	
Total actual rate of the equity holders of the Company in expenses, at the oil asset level (before other payments at the level of the Company)	16.56%-17.06%	
Payments (derived from the expenses) in respect of the oil asset and at the level of the Company (the following percentages will be calculated in accordance with the share of the equity holders of the Company in the oil asset):		
Actual rate of participation of the Company's equity holders in expenses arising from exploration, development or production operations in the oil asset	16.56%-17.06%	Regarding the management fees arrangement between the General Partner and Partnership, see Regulation 21(B)(7) to Chapter D of this report. These amounts were not taken into account in this table.

(J) Royalties and payments paid during exploration, and development operations in Block 12 (USD thousands)

Description	Total share of equity holders of the Company in investment in the oil asset in this period	Of which, the share of equity holders of the Company in payments to the general partner	Of which, the rates of equity holders of the Partnership in payments to the operator (beyond the direct return of expenses)
Actual budget invested in 2019	1,333	-	42
Actual budget invested in 2020	2,331	-	31
Actual budget invested in 2021	2,011		30

(K) Plan for the development of the Aphrodite reservoir

The development plan, which was approved by the Cypriot government on November 7, 2019, is subject to updates in view of the results of the FEED, and the progress in the commercial and financial aspects of the project. The plan includes the construction of a floating treatment and production facility in the license area, with an estimated maximum production capacity of 800 MMcf/d, through five producing wells in the initial stage, and a subsea transmission system to the Egyptian market. According to the updated appraisal of the Operator, which was submitted to the Partnership and to the Cyprus government, and prior to completion of the technical-economic feasibility tests, including the FEED, the estimated cost of the Development Plan, without the installation cost of the pipelines to the target markets, is between USD 2.5 billion and USD 3 billion (100%). The estimated budget for the work plan until the date of the FID is USD 150-200 million (100%). Formulation of the development plan and the FID for development of the Aphrodite Reservoir are subject, among other things, to an appraisal drilling/further development - A-3 (Aphrodite 3) (hereinafter - the “A-3 appraisal drilling”) - until November 2021 and to a FEED, commercial arrangements to develop the pipelines for export, signing of agreements for supply of natural gas, and compliance with the preconditions in the agreements, regulatory approvals, and financial arrangements. If the above preconditions are fulfilled, the date of commencement of natural gas supply from the Aphrodite reservoir might be in 2026. It should be noted that the above estimated costs do not include expenses for the development and installation of a pipeline for the export of natural gas from the Aphrodite reservoir.

In addition, the partners in the Aphrodite reservoir applied to the government of Cyprus to approve changes to the work plan set out under the development plan of November 7, 2019, which refers mainly to postponement of their undertaking to drill the A-3 appraisal well by 12 months, until November 2022. On October 13, 2021, the government of Cyprus approved the postponement of the partners' undertaking to carry out the drilling by another 12 months, meaning, until November 2022.

It should be noted that the partners in the Aphrodite reservoir are considering additional development alternatives, including the option of combining development of the reservoir with existing facilities

and/or development plans for adjacent assets in Egypt, Cyprus and/or Israel, including those of the Leviathan reservoir.

In addition, the partners in the Aphrodite reservoir submitted a work plan and a budget for 2022 in the amount of 32 million (100%) to the government of Cyprus, which the government of Cyprus has not yet approved. It should be noted that this budget does not include the cost of the A-3 appraisal drilling. As at the approval date of the report, it is uncertain whether the government of Cyprus will approve the work plan and budget.

(L) Contingent and prospective resources attributed to the oil asset in Block 12 in Cyprus

According to a report received by the Partnership from NSAI, which was prepared in accordance with the principles of the Petroleum Resources Management System (SPE-PRMS) (hereinafter in this section - the "Resources Report"), as at December 31, 2020, some of the natural gas and condensate resources attributed to the Aphrodite reservoir[31] in Block 12 have been proved by the Aphrodite A-1 and Aphrodite A-2 wells (and the Aphrodite A-2 well in the Ishai License area), and are therefore classified as contingent resources, while other natural gas and condensate resources attributed to the oil asset, in fault blocks adjacent to the fault block where drilling was performed have not been proven and therefore remain classified as prospective resources. The Resources Report attributable to the Block 12 oil asset is included in the Company's Periodic Report for 2020, and it is included in this report by way of a reference. Attached, as Appendix A to the report, the consent of NSAI to include the report in this report, including by way of a reference, and a letter from NSAI regarding the absence of material changes in Block 12.

Forward-looking information: The foregoing information regarding the possible date of the FID on the Aphrodite Reservoir, the estimated cost of the development plan and the possible date of commencement of natural gas supply is forward-looking information, as defined in Section 32A of the Israel Securities Law, based largely on various estimates and work assumptions, inter alia, completion of the detailed design of the development plan, actual performance of the project and various other factors over which the Partnership does not have full control or which it is unable to estimate with sufficient certainty.

1.7.6. Ofek Hadash License

(A) On March 19, 2019, the Partnership entered into an agreement with SOA Energy Israel Ltd. (hereinafter - the "SOA") to the agreement for the purchase of 25% (out of 100%) of the rights in the Onshore 405/Ofek Hadash license (hereinafter - the "Ofek Hadash License"), located in the Shfela region (Judean Foothills) in central Israel (hereinafter in this section - the "Purchase Transaction") was finalized. On fulfillment of the preconditions in the agreement, on October 10, 2019, the transaction for acquisition of the rights was completed, and on November 5, 2019, the Petroleum Commissioner announced that the transfer of rights had been registered in the Oil Register.

The Ofek Hadash License was classified by the Company as a negligible oil asset compared to all of the Company's operations and assets and, therefore, a limited description thereof is presented below.

(B) General Details

General information about the oil asset	
Name of oil asset:	405/Ofek Hadash
Location:	Onshore license in the Shfela region in central Israel
Area:	344 sq. km
Type of oil asset:	Oil exploration license
Original grant date of the oil asset:	21.6.2017
Original expiry date of the oil asset:	20.6.2021
Date of decision regarding extension of the term of the oil asset:	April 5, 2020, May 4, 2021 and July 27, 2021
Current expiry date of the oil asset:	20.6.2022
Note whether there is an additional option of extending the period of the oil asset: if so, note the period of the possible extension:	According to the Petroleum Law, it may be extended for another two years with an extension option for further two years in the event of a discovery.

[31] It should be noted that most of the Aphrodite reservoir is located in the exclusive economic zone of Cyprus, and a small part in the Ishai License area in the exclusive economic zone of Israel.

General information about the oil asset	
Name of Operator:	SOA
Names of the direct partners in the oil asset and their direct share in the oil asset and, to the best of the Company's knowledge, the names of the controlling owners in the partners:	SOA[32] - (45%), to the best of the Company's knowledge, the controlling shareholder of SOA is Saed Sarsur (a businessman, Israeli citizen and UK resident); The Partnership - 25%; Globe Exploration (Y.C.D) Limited Partnership (hereinafter - "Globe") - 20%, to the best of the Company's knowledge, the controlling shareholder of Globe is Globe Exploration, which serves as Globe's general partner; Capital Point Ltd. (hereinafter - "Capital") - 10%, to the best of the Company's knowledge, Capital has no controlling shareholder.

(C) The Company's share in the oil asset

General information about the Company's share in the oil asset	
Acquisition date of the lease for the purchased oil asset:	19.3.2019
Description of the Company's holding in the oil asset:	As set out in Section (a) above.
Effective share of oil asset revenues attributable to equity holders of the Company:	In the right to participate in revenue: Before investment recovery - 11.20% After investment recovery - 10.52% In right to receive royalties: Before investment recovery - 0.63% After investment recovery - 1.88% Total revenue: Before investment recovery - 11.83% After investment recovery - 12.40%
Total share of equity holders of the Company in the cumulative investment in the oil asset in the five years preceding the last day of the reporting year (whether recognized as an expense or as an asset in the financial statements):	USD 4,895 thousand

(D) Actual and planned work schedule

The main activity carried out for the Ofek Hadash License is re-entry into the existing Ofek 2-ST well and conclusion of production tests in the well. Based on information received from the operator, on August 25, 2021 drilling of Ofek-2 began in preparation for the production tests, and as at the approval date of the report, the production tests have not yet been completed.

Below is a summary of the main activities actually carried out in the Ofek Hadash License from January 1, 2019 until the approval date of this report, and a summary of the planned operations in the License, based on the planned work plan approved by the Commissioner of Petroleum Affairs in May 4, 2021.

[32] As of the report's approval date, Globe reported the fulfillment of the conditions precedent included in its agreement with SOA for the transfer of 10% of its rights in the Ofek Hadash license to SOA. It should be noted that the Partnership agreed to the said transfer of rights to SOA and waived its right to participate in the purchase of the said rights, in accordance with the provisions of the joint operating agreement of the Ofek Hadash license. As at the approval date of the report, transfer of the rights has not yet been completed.

Ofek Hadash			
Period	**Summary of actual operations in the period or of the planned work plan**	**Estimated total budget for operations on the level of the oil asset (USD thousands)**	**Actual participation of the Company's equity holders in the budget (in USD thousands)**
2019	Submission of a plan for re-entry into the well and performance of production tests to the Commissioner of Petroleum Affairs on May 15, 2019.	60	8
	Receipt of all permits and approvals required for breaking ground and performing the production tests, including approval from the land owners and the local council.	351	48
2020	Planning and preparation for production tests in Ofek-2 well.	4,691	2,595
	Submission of a signed agreement with the contractor for production tests in the License area, and an engineering plan to the Commissioner of Petroleum Affairs.		
2021	Receipt of all approvals required for production tests in Ofek-2 well.		
	Operations before the production tests in the Ofek-2 well.	9,413	1,168
2022 onwards	Production tests in Ofek-2 well.	6,896	943
	Submission of a summary report of the production tests to the Commissioner of Petroleum Affairs three months from completion of the production tests.		

Forward-looking information - the Partnership's above assessment as to the planned operations, the costs, the time tables and the actual execution of the planned operations in the Ofek Hadash license, and, accordingly, among other things, the planned duration of the production tests and the operations they involve, their costs and other aspects pertaining to the Ofek Hadash license and the production tests, constitute forward-looking information as defined in Section 32A to the Securities Law, which is based on the Partnership's assessments and forecasts, as to the planned operations, the costs, time tables and the actual execution of the planned operations which are all based on assessments the Partnership received from SOA, the operator. The planned operations, the costs and the time tables may materially different from the above assessments, and they are conditional, among other things, on the partners in the Ofek Hadash license making appropriate decisions, obtaining the approvals required under any law, completion of the detailed planning of the operations' components, receiving quotes from contractors, changes in the global suppliers and raw material markets, applicable regulation, technical capabilities, economic viability, operational conditions and market conditions.

1.7.7. Yahel Hadash License

(A) Under the purchase transaction of the Partnership with SOA as described above regarding the Ofek Hadash License, the Partnership also purchased 25% (out of 100%) of the participating rights in the 406/Yahel Hadash license (hereinafter - the "Yahel Hadash License"), which is located onshore in northern Israel.

The Ofek Hadash License was classified by the Company as a negligible oil asset compared to all of the Company's operations and assets and, therefore, a limited description thereof is presented below.

(B) General Details

General information about the oil asset	
Name of oil asset:	406/Yahel Hadash
Location:	Onshore license in the Haifa Bay area, south of the Akko-Safed road and north of Yokneam
Area:	397.5 sq. km
Type of oil asset:	Oil exploration license
Original grant date of the oil asset:	21.6.2017
Original expiry date of the oil asset:	20.6.2021
Date of decision regarding extension of the term of the oil asset:	April 5, 2020 and May 4, 2021
Current expiry date of the oil asset:	20.6.2022
Note whether there is an additional option of extending the period of the oil asset: if so, note the period of the possible extension:	Subject to the Petroleum Law, it may be extended by another two years with an extension option for further two years in the event of a discovery
Name of Operator:	SOA
Names of the direct partners in the oil asset and their direct share in the oil asset and, to the best of the Company's knowledge, the names of the controlling owners in the partners:	• SOA - 45%. • The Partnership (25%). • Globe - 20%. • Capital - 10%.

(C) The Company's share in the oil asset

General information about the Company's share in the oil asset	
Acquisition date of the lease for the purchased oil asset:	19.3.2019
Description of the Company's holding in the oil asset:	As set out in Section (a) above.
Effective share of oil asset revenues attributable to equity holders of the Company:	In the right to participate in revenue: Before investment recovery - 11.20% After investment recovery - 10.52% In right to receive royalties: Before investment recovery - 0.63% After investment recovery - 1.88% Total revenue: Before investment recovery - 11.83% After investment recovery - 12.40%
Total share of equity holders of the Company in the cumulative investment in the oil asset in the five years preceding the last day of the reporting year (whether recognized as an expense or as an asset in the financial statements):	USD 298 thousand

(D) Actual and planned work schedule

(1) Below is a summary of the main activities actually carried out in the Ofek Hadash License from January 1, 2019 (date of grant of the Yahel Hadash License) until the approval date of the report, and a summary of the planned operations in the License, based on the planned work plan approved by the Commissioner of Petroleum Affairs on January 11, 2021.

Yahel Hadash			
Period	**Summary of actual operations in the period or of the planned work plan**	**Estimated total budget for operations on the level of the oil asset (USD thousands)**	**Actual participation of the Company's equity holders in the budget (in USD thousands)**
2019	• Completion of an environmental document according to the Petroleum Regulations (Authorization of Deviation from the Provisions of the Planning and Building Law), 2012.	27	4
	• Submission of an application according to the uniform planning format together with an environmental document on June 11, 2019.		
	• Hearing in the North District Planning and Building Committee on August 15, 2019, including addressing the Committee's terms.	12	1.6
2020	• Planning and preparation prior to appraisal drilling in the License Area, including obtaining all required approvals.		
2021	• By September 1, 2021 - discussion and decision by the district committee to approve the drilling application.		
	• By October 3, 2021 - submission of a drilling approval application and a signed agreement with a drilling contractor for approval by the Commissioner •		
2022 onwards[33]	• By February 1, 2022 - commencement of the drilling[34]	20,000	2,733
	• 3 months from completion of the drilling - submission of a summary report.		

Forward-looking information - the Partnership's above assessment as to the planned operations, the costs, the time tables and the actual execution of the planned operations in the Yahel Hadash License, and, accordingly, among other things, the planned duration of the production tests and the operations they involve, their costs and other aspects pertaining to the Ofek Hadash license and the production tests, constitute forward-looking information as defined in Section 32A to the Securities Law, which is based on the Partnership's assessments, as to the planned operations, the costs, time tables and the actual execution of the planned operations which are all based on assessments the Partnership received by the general partner from SOA, the operator.The planned operations, the costs and the time tables may materially different from the above assessments, and they are conditional, among other things, on the partners in the Yahel Hadash license making appropriate decisions, obtaining the approvals required under any law, completion of the detailed planning of the operations' components, receiving quotes from contractors, changes in the global suppliers and raw material markets, applicable regulation, technical capabilities, economic viability, operational conditions and market conditions.

1.7.8. Yam Tethys project

The Company's rights in the Yam Tethys project are due to the direct holding in the oil asset at a rate of 4.441% and from its direct holdings in Delek Drilling. The Yam Tethys project includes the area of the Noa lease, in which the Noa natural gas reservoir was discovered in 1999, and the area of the Ashkelon lease, in which the Mari B and Pinnacles natural gas reservoirs were discovered in 2000

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33 As at the approval date of the report, the budget for 2022 onwards has not yet been approved by the partners.

34 It should be noted that drilling in the Yahel Hadash license has not yet begun, and that on January 20, 2022, the updated work program was submitted to the Commissioner of Petroleum Affairs for approval. As at the approval date of the report, the Commissioner of Petroleum Affairs has not yet approved the updated work program.

and 2012, respectively. Production of natural gas in the Yam Tethys project began in March 2004 and was terminated in May 2019, following depletion of the reservoirs. As at the approval date of the report, the project's assets are mainly used to provide infrastructure services for the Tamar reservoir.

Accordingly, the Company classified the project as a negligible oil asset compared with the Company's operations and assets, and therefore a limited description is presented below.

The Operator began the dismantling and decommissioning of the project facilities, other than the platform, including the production wells and subsea equipment, in accordance with a dismantling plan approved by the Petroleum Commissioner. There is also a discussion about possible future uses and/or dismantling and decommissioning of the Yam Tethys platform, considering the connection between the facilities of the Yam Tethys project and production from the Tamar project. The decommissioning budget for the drilling and subsea equipment approved by the partners of the Yam Tethys project amounts to USD 194 million (100%). It should be noted that, based on preliminary information received from the operator, there may be a deviation of USD 40 million (100%) from the budget. It should be further noted that this budget does not include a budget for decommissioning of the Yam Tethys platform and the receiving terminal, which is expected to be completed at the end of the production period from the Tamar project.

(A) General Details

General information about the oil asset	
Name of oil asset:	Noa Lease Ashkelon Lease
Location:	Ashkelon Lease: 25 kilometers west of the Ashkelon Coast Noa Lease: 40 kilometers west of the Ashkelon Coast
Area:	The total area of the leases is 500 square kilometers
Type of oil asset and description of permitted operations according to the type:	Lease; Operations permitted under the Petroleum Law - exploration and production
Original grant date of the oil asset:	Ashkelon Lease - June 11, 2002 Noa Lease - February 10, 2000
Original expiry date of the oil asset:	Ashkelon Lease - June 10, 2032 Noa Lease - January 31, 2030
Date of decision regarding extension of the term of the oil asset:	-
Current expiry date of the oil asset:	Ashkelon Lease - June 10, 2032 Noa Lease - January 31, 2030
Note whether there is an additional option of extending the period of the oil asset: if so, note the period of the possible extension:	Subject to the Petroleum law for an additional 20 years
Name of Operator:	Chevron
Names of the direct partners in the oil asset and their direct share in the oil asset and, to the best of the Company's knowledge, the names of the controlling owners in the partners:	• The Partnership (48.5%); • Chevron (47.059%); • The Company (4.441%).

(B) Actual and planned work plan for the Yam Tethys project

The table below includes a summary of the main operations actually performed in the Ashkelon and Noa leases from January 1, 2019 through to the approval date of the report and a summary of the planned operations:

Yam Tethys project			
Period	**Summary of actual operations in the period or of the planned work plan**	**Estimated total budget for operations on the level of the oil asset (USD thousands)**	**Actual participation of the Company's equity holders in the budget (in USD thousands)**
2019	• Production from the Mari B reservoir, ongoing operation and maintenance.		
	• Assessment of the uses of existing infrastructure and maintaining or increasing production capacity.		
	• Preparation for the future decommissioning of wells and facilities in the Yam Tethys project.	1,497	463
	• Preparation of the platform for cold stacking, including air-gapping of gas pipes from the production wells to the treatment and production facilities on the platform.	299.7	93
	• Continued update of the geological model and flow model, among other things, according to drilling and production data.		
	• Mapping and definition of additional prospects in the area of the oil asset, including a prospect to the deep targets in the area of the oil asset.		
2020	• Ongoing operation and maintenance.		
	• Preparation of the platform for cold stacking, including air-gapping of gas pipes from the production wells to the treatment and production facilities on the platform.	2,342	724
	• Assessment of the uses of existing infrastructure and maintaining or increasing production capacity.		
	• Preparation for the future decommissioning of wells and facilities in the Yam Tethys project.	7,962	2,461
2021	• Ongoing operation and maintenance.		
	• Assessment of the uses of existing infrastructure of the project.		
	• Putting the platform into use for the activities related to the abandonment of the Mari B wells relating to decommissioning of underwater equipment and pipeline of the Yam Tethys project, including obtaining environmental permits, installation of dedicated facilities, etc.		
	• Commencement of plugging and abandonment of the project's production wells, of subea facilities, according to the standards and	141,465	74,893

Yam Tethys project			
Period	**Summary of actual operations in the period or of the planned work plan**	**Estimated total budget for operations on the level of the oil asset (USD thousands)**	**Actual participation of the Company's equity holders in the budget (in USD thousands)**
	guidelines of the Commissioner of Petroleum Affairs.		
2022 onwards	• Completion of plugging and decommissioning of the project's production wells, of subsea facilities, in accordance with the standards and guidelines of the Commissioner of Petroleum Affairs.	95,000[35]	50,000
	• Assessment of the uses of existing infrastructure of the project.		
	• Dismantling and decommissioning of the platform at the end of its use, in accordance with the standards and guidelines of the Commissioner of Petroleum Affairs.		

Forward-looking information: The Partnership's estimate regarding the planned operations in the Yam Tethys project, including costs, schedules, and actual performance, is forward-looking information, as defined in Section 32A of the Israel Securities Law, based on estimates of the Partnership regarding the components of the work plan, which are all based on estimates that the Partnership received from the Operator. Implementation of the actual work plan, including schedules and costs, may differ materially from the above estimate and is subject, among other things, to applicable regulation, technical capacity, and economic viability.

1.7.9. Tanin and Karish Leases

(A) General

In accordance with the provisions of the Gas Framework, in August 2016, Chevron, Avner Partnership, and NewMed Energy signed an agreement for the sale of their entire rights in the Tanin and Karish leases to Energean, for a consideration constituting reimbursement of past expenses invested in the leases, plus the right to royalties for the natural gas and condensate to be produced from the leases (hereinafter in this section - the "Sale Agreement").

Under the sales agreement, the Partnership is entitled to receive royalties from Energean for all of its rights for the natural gas and condensate to be produced from the Karish and Tanin Leases, at the following rates: 5.12% before payment of oil profit tax under the Taxation of Profits from Natural Resources Law, 2011 (hereinafter - the "Levy") and before the investment recovery date; 2.47% before payment of the levy and after the investment recovery date; and 3.22% when payment of the levy starts and after the investment recovery date.

The Company's rights in the Tanin and Karish leases are due to its holdings in the Partnership, which holds the right to royalties from Energean at the rates set out above.

As at the approval date of the report, the Company classified the benefit from the Tanin and Karish Leases a negligible oil asset for its entire operations and for its assets, and therefore, a limited description of the rights in the Tanin and Karish Leases is presented below. It should be noted that the following description is based mainly on public information of Energean Oil and Gas plc., a foreign public company whose shares are listed on the London Stock Exchange and the Tel Aviv Stock Exchange, which to the best of the Company's knowledge is the controlling shareholder of Energean Israel. It should also be clarified that the Company is unable to independently verify the correctness of the details presented therein.

[35] The Yam Tethys Partners approved a budget of 196??? (100%) out of the total spending in respect of plugging and abandonment in the Yam Tethys.

(B) General details

General information about the oil asset	
Name of oil asset:	Tanin Lease Karish Lease
Location:	Offshore assets, about 80-130 km west of the shores of Nahariya
Area:	The area covered by the two leases together is 500 square kilometers
Type of oil asset and description of permitted operations according to the type:	Lease; Operations permitted under the Petroleum Law - exploration and production
Original grant date of the oil asset:	December 24, 2015 effective as from August 11, 2014 (revised on April 25, 2017)
Original expiry date of the oil asset:	10.8.2044
Date of decision regarding extension of the term of the oil asset:	-
Current expiry date of the oil asset:	10.8.2044
Note whether there is an additional option of extending the period of the oil asset: if so, note the period of the possible extension:	For a further 20 years, subject to the Petroleum Law.
Name of Operator:	Energean
Names of the direct partners in the oil asset and their direct share in the oil asset and, to the best of the Company's knowledge, the names of the controlling owners in the partners:	• Energean (100%)

General information about the Company's share in the oil asset	
Acquisition date of the lease for the purchased oil asset:	-
Description of the Company's holding in the oil asset:	As set out in Section (a) above.
Effective share of oil asset revenues attributable to equity holders of the Company:	2.80% before payment of the Petroleum Profits Levy and before the investment recovery date; 1.35% before payment of the levy and after the investment recovery date; and 1.76% when payment of the levy starts and after the investment recovery date
Total share of equity holders of the Company in the cumulative investment in the oil asset in the five years preceding the last day of the reporting year (whether recognized as an expense or as an asset in the financial statements):	-

(C) Development plans for the Tanin and Karish leases and the resources attributed to them

To the best of the Company’s knowledge, the original development plan of the Karish and Tanin reservoirs submitted by Energean to the Petroleum Commissioner Affairs was approved by the Ministry of Energy in August 2017 (hereinafter in this section - the Original Development Plan) whereby the Karish field will be developed in the first stage and the Tanin field will be developed later.

In 2018, Energean adopted an FID regarding development of the Karish reservoir. According Energean's announcement of January 18, 2022, production from the Karish reservoir is expected to begin in the third quarter of 2022.[36]

On April 15, 2019, Energean announced[37] a natural gas discovery in the Karish North well. According to Energean publications, the development plan that it submitted to the Petroleum Commissioner for the Karish North was approved by the Ministry of Energy in August 2020, and a final investment decision for development of the Karish North reservoir was made on January 14, 2021.[38] To the best of the Company's knowledge, based on Energean's publications, production from the Karish North reservoir is expected to begin in 2023.

In addition, too the best of the Company's knowledge, the updated data regarding the resources attributed to the Karish, Tanin, and Karish North reservoirs (hereinafter in this section - the "Reservoirs"), were reported by Energean in March 2022.[39] According to this report, the Reservoirs contain natural gas reserves (2P) of 100.2 BCM and hydrocarbon liquids of 101.3 million barrels.

It should be clarified that the Partnership does not bear the expenses for the development plan of the Tanin, Karish, and Karish North reservoirs.

Dispute with Energean regarding payment of the balance of the consideration according to the Sale Agreement: The agreement for the sale of rights to Energean included a provision that out of the cash consideration, an amount of USD 108.5 million will be paid to the sellers in 10 equal annual installments, plus interest in the mechanism and at the rate set out in the agreement. The agreement also sets out that in obtaining financial closing by Energean (hereinafter - the "Financial Closing") for the costs of the first phase of the approved Karish and Tanin development plan plus the entire financial consideration (100%) for the Sold Asset as set out in the Sale Agreement (USD 148.5 million), Energean will be required to pay the balance of the consideration immediately. Up to the approval date of the report, Energean Israel paid the Partnership, as set out in the agreement, 4 out of the 10 annual payments, on account of the balance of the consideration. On April 30, 2021, Energean announced a debentures issue amounting to USD 2.5 billion and the release of the issuance funds to the Company's accounts. Subsequently, the Partnership requested immediate payment from Energean for the balance of the consideration, in accordance with the provisions of the agreement, however the Partnership's demand was rejected on the grounds that the grounds for immediate payment of the consideration were not met. As at the approval date of the report, the partner is considering legal action against Energean for this matter. It is further noted that in the correspondence between the parties, in May 2021, Energean informed the Partnership that it believes that it is operating under the terms of a force majeure event (as defined in the agreement), arising from the Covid-19 crisis, which is expected to continue for more than 90 days. Close the report approval date, Energean informed the Partnership that it intends not to pay the fifth annual payment since, according to Energean's claims, a force majeure event has allegedly taken place. The Partnership believes that Energean has no grounds for delaying the payment, and moreover, the conditions set out in the agreement for immediate payment of the full balance of the consideration as set out above were met, as outlined above.

Dispute with Energean regarding the applicability of the right to royalties: Energean and the Partnership exchanged letters about Energean's allegations regarding the Partnership's rights to royalties from the Tanin and Karish reservoirs. According to Energean: (A) The Partnership's overriding royalty does not apply to the Karish North reservoir (contrary to the Karish reservoir); and (B) not all of the liquid hydrocarbons to be produced from the Karish lease constitute condensate as defined in the Sale Agreement, which is subject to the obligation to pay royalties. The Partnership's position, based on the opinion of its external advisors, is that Energean's obligation to pay royalties applies to the natural gas and condensate to be produced from the leases, including from the Karish North reservoir, and that all the liquid hydrocarbons that will be produced from the reservoirs constitute condensate as defined in the agreement, which is subject to royalties.

Forward-looking information: The above description of the planned activities in the Karish Lease, including timetables, and the date of gas flow from the Karish reservoir, is forward-looking information as defined in Section 32 to the Israel Securities Law, and is based solely on public announcements by Energean. Implementation of the actual work plan, including

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36 Link to Energean's announcement: https://mayafiles.tase.co.il/rpdf/1426001-1427000/P1426330-00.pdf

37 Link to Energean's announcement: https://maya.tase.co.il/reports/details/1224643

38 Link to Energean's announcement: ps://www.energean.com/media/4647/20210113-karish-north-fid.pdf

39 Link to Energean's announcement: https://www.energean.com/investors/reports-presentations/

timetables, may differ materially from the above and is subject, among other things, to applicable regulation, technical capacity, and economic viability.

The following is a summary of the main operations actually carried out in the Tanin and Karish Leases as from January 1, 2019 through to the approval date of the report and a summary of the planned operations, to the best of the Company's knowledge. Since the Company does not bear the development and production costs in the Tanin and Karish Leases, data regarding the budget of the activities and the actual participation of the Company's equity holders in the Company's budget are not taken into account in the following table:

Karish and Tanin Leases			
Period	**Summary of actual operations in the period or of the planned work plan**	**Estimated total budget for operations on the level of the oil asset (USD thousands)**	**Actual participation of the Company's equity holders in the budget (in USD thousands)**
2019	• Continued planning and manufacture of the FPSO.	-	-
	• Exploration drilling in the Karish North prospect. On April 15, 2019,[40] Energean announced a natural gas discovery in the Karish North well.		
	• Drilling of 3 production wells in the Karish reservoir, as from the second quarter of 2019 and start of completion thereof.		
	• Continued planning, manufacture and start of installation of the subsea transmission system to connected the production wells of the Karish reservoir to the FPSO.		
2020	• Completion of the 3 production wells in the Karish Reservoir.	-	-
	• Continued manufacture and installation of the subsea transmission system to connect the production wells to the FPSO and to the shore.		
	• On April 4, 2020, the PFSO hull manufactured at a shipping yard in China sailed to Singapore for installation of the gas and condensate production and treatment systems (the topsides).		
	• Submission and receipt of approval for the Development Plan of the Karish North reservoir.		
2021	• Final Investment Decision (FID) for development of the Karish North reservoir and the manufacturing and installation of a second export riser and a second liquid treatment system (oil train).	-	-
	• Completion of the installation of the gas and condensate production and treatment systems on the FPSO hull in Singapore.		
2022	• Completion of the installation and running-in of the gas and condensate production and treatment systems on the FPSO hull in Singapore.		
	• Sailing of the FPSO to Israel.		
	• Completing connection and a trial run of the production system.		

40 Link to Energean's announcement: https://maya.tase.co.il/reports/details/1224643

Karish and Tanin Leases			
Period	**Summary of actual operations in the period or of the planned work plan**	**Estimated total budget for operations on the level of the oil asset (USD thousands)**	**Actual participation of the Company's equity holders in the budget (in USD thousands)**
	• Commencement of commercial production from the Karish reservoir, routine operation and maintenance.	-	-
	• Drilling of an appraisal and development well in the Karish lease and completion of the Karish North-1 drilling.		
2023 onwards	• Installation of a second export riser and trial run of a second liquid treatment system (oil train).		
	• Continued commercial production from the Karish reservoir, routine operation and maintenance.	-	-
	• Connection of the production well in Karish North to the FPSO and commencement of commercial production from the Karish North reservoir.		
	• Drilling of additional production wells in the Karish reservoir, and the Karish North reservoir if necessary.		
	• Development of the Tanin reservoir, including drilling producing wells; production, installation and connection to the FPSO of a subsea system. Commencement of production from the Tanin North reservoir in 2027, according to Energean's announcements.		

1.7.10. Discontinued activity

Following are details about the oil assets whose operations were recently discontinued:

(A) Eran License

The Eran license expired on June 14, 2013). Following the decision of the Commissioner of Petroleum Affairs not to extend the Eran License, on October 3, 2013 the holders of rights in the Eran License (including the Partnership) filed an appeal against the Commission's foregoing decision with the Minister of Energy. On August 10, 2014, the Minister of Energy dismissed the appeal. On November 17, 2014, the rights holders in the Eran license, including the Partnership, appealed this decision to the High Court of Justice. On June 2, 2016, the High Court of Justice gave the decision of the parties' consent to mediation the force of a ruling. At the consent of the parties, the retired President of the Supreme Court, Justice A. Grunis was appointed as Mediator. At the conclusion of the mediation, the parties reached agreements that were anchored in a mediation arrangement. On March 20, 2019, the court was petitioned to validate the mediation arrangement as a court judgment. Under the mediation arrangement, the parties agreed to mediation (with the consent of the Tamar partners) for the distribution of the Tamar SW reservoir between the area of the Tamar lease (78%) and the area of the Eran license (22%). In addition, it was agreed that the right in the area of the Eran license will be divided by 76% for the State and 24% for the rights holders in the Eran license, prior to its expiration. On April 11, 2019, the court validated the mediation arranged between the parties, as aforesaid, as a court judgment. The Eran license Partners, the Tamar Partners and the State of Israel conducted negotiations as to the manner of settlement the State's rights in other related issues; however, as of the report's approval date, the parties have not yet reached an agreement as to the manner of the implementation of the mediation arrangement, as described above.

(B) Alon D License

The Alon D license expired on June 21, 2020, after the Commissioner of Petroleum Affairs denied applications for its extension.

For information about the petition to the Supreme Court, sitting as the High Court of Justice, regarding the non-extension of the license, see Section 1.7.34(ו) below.

Due to the expiry of the Alon D license, the Partnership and Chevron submitted an offer under a competitive process announced by the Ministry of Energy on June 23, 2020 for granting a natural gas and oil exploration license in Block 72 in the area of the Alon D license (hereinafter - "Block 72").

Subsequently, on October 21, 2020, the Partnership received a demand from the Competition Authority to provide information and documents relating to Block 72.

Accordingly, as at the approval date of the report, the winner of the competitive process for Block 72 has not yet been announced. On September 30, 2020, the Commissioner of Petroleum Affairs contacted the Concentrations Committee for a consultation regarding a decision on the winner in this competitive process. On January 10, 2021, the Concentrations Committee published its recommendation not to allow the Partnership to win the competitive process irrespective of its compliance with the process conditions. On January 14, 2021, the Partnership appealed to the Commissioner of Petroleum Affairs to disregard the Concentrations Committee's recommendation, because it is deficient, ignores material facts and is inaccurate. It should be noted that to the best of the Partnership's understanding, on the same day the Commissioner of Petroleum Affairs sent the Concentrations Committee a request for re-consultation on the matter. To the best of the Partnership's knowledge, its bid (together with Chevron) is preferable to the other bids submitted in the process, taking into account the conditions that were defined. Therefore, the Partnership believes that it has the full right to obtain the license and it intends to take all legal steps available to it to protect its rights.

(C) Tamar Project (I/12 Tamar lease and I/13 Dalit lease)

On December 9, 2021, the transaction for the sale of the balance of the Partnership's rights in the Tamar and Dalit Leases was completed, in accordance with the Sale Agreement set out in Section 1.7.33(K) below.

1.7.11. Products

(A) Natural gas

The natural gas discovered in the reservoirs held by the Partnership is composed mostly of methane gas and is therefore defined as "dry", although small quantities of non-corrosive liquids are separated during production and treatment. Consequently, the treatment required for gas for the purpose of supply to customers in relatively minimal.

Generally, natural gas can be transported in three main ways: (a) by pipeline; (b) by liquefaction (i.e., turning it onto LNG) by cooling it to 161 degrees Celsius below zero, reducing its volume 600 times and allowing it to be transported and stored in large quantities; and (c) by compressing it (CNG), so that its volume is reduced 100-300 times, depending on the compression pressure.

Liquid and compressed gas can be transported in sizable quantities over large distances by special tankers.

For information about the local gas market, including developments and changes, see Sectios 1.7.12 and 1.7.12A above and about exporting natural gas and selling it on the international market, see Section 1.7.13(B) below.

(B) Condensate

During natural gas production and treatment, condensate is also produced, which is a hydrocarbon byproduct of condensation of different natural gas carbon components resulting from the differences between the pressure and temperature in the reservoir and those on the surface. Condensate produced by the Leviathan Project requires minimum treatment, mainly stabilization, to be able to transport it to the customers and it is used mainly as a raw material in the production of distillates. The percentage of condensate produced is relative to the quantity of natural gas produced by the Leviathan Project is relatively small and is several barrels per MMcf of natural gas. For information about the condensate supply agreement of the Partnership together with its partners from the Leviathan Project and assessment of condensate delivery and sale alternatives, See Section 1.7.12(D) below.

1.7.12. Customers

(A) General

As at the approval date of the report, the Partnership, together with its partners in the Leviathan project, supplies natural gas produced from the Leviathan reservoir to independent power producers, marketing companies, and industrial customers in the local market and exports natural gas to customers in Jordan and Egypt. At the same time, the Partnership is continuing different stages of negotiations with other potential customers in the local and export markets.

It should be noted that, in 2021, in addition to the Partnership's revenues from the Leviathan reservoir, the Partnership also had revenues from sales of natural gas produced from the Tamar reservoir. Under the terms of the sale transaction, as from August 1, 2021, sales of natural gas from the Tamar reservoir were attributed to the buyers.

As at the approval date of the report, the Partnership, together with its partners in the Leviathan Reservoir and third parties, are holding negotiations in connection with the consideration of options to construct gas pipelines from Israel to Egypt.

As at the approval date of the report, in the context of advancing the development of Phase 1 - Second Stage in the Leviathan Reservoir, the Partnership is advancing negotiations with the holders of natural gas liquefaction facilities in Egypt, mostly for the ELNG liquefaction facility operated by Shell, near the city of Idku.[41] The arrangements that are being assessed include the option of entering into an agreement for the supply of natural gas as a raw material (feed gas) to produce LNG, in which gas will be priced in accordance with a price formula affected by LNG prices in global target markets. It should be noted that, under the terms of the development plan for the Aphrodite reservoir (as set out in Section 1.7.5(K) above), the Partnership is assessing, among other things, the option of supplying natural gas to the Idku liquefaction facility via a pipeline shared by both reservoirs.

(B) Major customers:

In 2021, NEPCO in Jordan and Blue Ocean in Egypt were the Leviathan reservoir's largest customers. In 2021, the Partnership's revenues from gas sales from the Leviathan project to NEPCO and Blue Ocean represented 30% and 34%, respectively, of the Partnership's total revenue from the Leviathan projectr. The agreements signed between the Leviathan partners and NEPCO and Blue Ocean are term events, and the cancellation or breach of the agreements may materially affect the Partnership's business and future revenues. In 2021, the Partnership's revenues from the Leviathan reservoir were from IEC (the agreement with IEC, which expired at the end of the first half of 2021 represented 10% of the Partnership's sales of natural gas from the Leviathan reservoir in 2021), independent power producers, industrial customers and natural gas marketing companies.

To the best of the Partnership's knowledge, the main customers of the partners in the Tamar reservoir in 2021 were IEC, Blue Ocean, and Dalia Power Energies Ltd.

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[41] It is noted that, to the best of the Partnership's knowledge, the maximum annual feed gas capacity of the liquefaction facility in Egypt is 11 BCM per year.

(C) Natural Gas Supply Agreements from the Leviathan Project

Below is a summary of the natural gas supply agreements from the Leviathan project signed by the Partnership together the Leviathan partners, that are valid as at the approval date of the report.[42]

	Year of start of supply	Term of the agreement[43]	Total maximum supply quantity (100%) (BCM)[44]	Quantity supplied up to December 31, 2021 (100%) (BCM)	Main linkage basis for the price of gas
Private electricity producers[45]	2020, or when commercial operation of the Buyers' power plant starts (whichever is later).	Some of the agreements are for a short period of up to two and a half years, and others are for long periods of 14 to 25 years. In most of the other agreements, each party is granted an option to extend the agreement if the total quantity is not purchased.	40	3.2	In most of the agreements, the linkage formula gas price is based on the electricity production rate, and includes a minimum price. Several short-term agreements include an unlinked fixed price.
Industrial customers	2020	Some of the agreements are for a period of 5 to 15 years and the others are for a short period of up to two years. In most agreements, the parties are not given an option to extend the term of the agreement.	5	0.7	In most of the agreements, the linkage formula is partially based on linkage to Brent prices and in part to the electricity production rate, and includes a minimum price. There is also a partial linkage to the refining margin index and the general TOU index published by the Israel Electricity Authority.
Export agreement - NEPCO (as described in Section 1.7.12(A)(1)a below)	2020	15 years. The agreement stipulates that if the buyer does not purchase the total contractual quantity in the base period, the supply period will be extended by another two years.	45	4.6	The linkage formula is based on linkage to Brent prices and includes a minimum price.

42 It should be noted that the information in the table does not include agreements for natural gas supply from the Leviathan project, which are on an interruptible basis, as well as agreements that have ended, including the agreement with IEC.

43 In most of the agreements, the gas supply period may end on the date on which the maximum contractual quantity set out in the agreement was supplied to the customer.

44 This quantity is the maximum quantity that the Leviathan partners undertook to supply to customers during the term of the agreements. The quantity which the customers undertook to purchase is lower than this quantity (for information regarding the order backlog, see Section 1.7.14(A). 1.7.14(A) It is noted that in some agreements, there is a mechanism whereby the Buyer may reduce/increase the quantities purchased (including the total contractual quantity) until the date set out in the agreement, based on its requirements and the provisions in the agreement. It should be noted that in some agreements, the maximum supply quantity is not specified.

45 The information in the table includes agreements for which not all of the preconditions have been fulfilled.

	Year of start of supply	Term of the agreement[43]	Total maximum supply quantity (100%) (BCM)[44]	Quantity supplied up to December 31, 2021 (100%) (BCM)	Main linkage basis for the price of gas
Export agreement - Blue Ocean (as described in Section 1.7.12(4) below)	2020	15 years. The agreement stipulates that if the buyer does not purchase the total contractual quantity, the supply period will be extended by another two years.	60	5.3	The linkage formula is based on linkage to Brent prices and includes a minimum price. The agreement includes a mechanism for an update of the price at a rate of 10% (addition or reduction) after the fifth year and after the tenth year of the agreement upon the fulfillment of certain conditions set out in the agreement.
Total			150	14[46]	

Forward-looking information - The information in the table above regarding the total financial value of the supply agreements, the quantity of natural gas, and the supply periods, is forward-looking information, as defined in Section 32A of the Israel Securities Law, and there is no certainty that it will materialize, in whole or in part, and it might materialize in a substantially different manner, due to various factors beyond the Partnership's control, including non-fulfillment of the preconditions in the supply agreements (to the extent that they have not yet been fulfilled), failure to obtain regulatory permits, changes in the volume, rate, and timing of natural gas consumption by the gas consumers, exercise of the options granted to customers in the supply agreements and the date of their exercise, and other factors beyond the control of the Leviathan partners.

46 It should be noted that, the total quantity supplied from the Leviathan project up to December 31, 2021 (100%) (both under the agreements in the table and under spot agreements, and agreements that have ended) amounts to 18 BCM.

The following table includes a breakdown of Partnership's revenues from the Leviathan Reservoir in 2020-2021:

	2021		2020	
Customer	**Total revenue (USD millions)**	**% of the total revenue**	**Total revenue (USD millions)**	**% of the total revenue**
IEC	91	10	183	31
Private electricity producers				
Others	192	22	48	8
Industrial customers and marketing companies				
Others	39	4	32	5
Natural gas export				
NEPCO	264	30	179	30
Blue Ocean	298	34	145	25

(1) Additional information about the natural gas sales agreements from the Leviathan Reservoir to independent power producers and industrial customer on the local market

A. In most of the natural gas sales agreements to independent power producers and industrial customers (hereinafter in this section - the "Agreements"), the customers have a take or pay commitment for a minimum annual quantity of natural gas according to a mechanism in the supply agreement (hereinafter - the "Minimum Quantity"). It should be noted that the agreements set out provisions and mechanisms allowing each of the buyers, after paying for natural gas not consumed under the agreements, due to application of the Minimum Quantity, as set out above, to receive gas without additional payment up to the amount paid for the gas not consumed, in years subsequent to the year in which payment was made. The agreements also set out a mechanism for the accumulation of excess volume (beyond take or pay) consumed by the buyers in the course of any year, and its use to reduce the buyers' undertaking to purchase the Minimum Quantity, as set out above, in several subsequent years.

B. The agreements include further provisions, including the following: The right to end the agreement in the event of material breach of liability, the right of the Leviathan partners to supply gas to the buyers from other natural gas sources, compensation mechanisms or in the event of failure to supply the quantities set out in the agreement, limitations for the parties' liabilities in the agreement, and regarding the relations between the Sellers and themselves in everything connected to gas supply for the buyers.

C. In accordance with the Gas Framework terms, in agreements signed up to June 13, 2017, and for a period exceeding 8 years, there is an option to reduce the Minimum Quantity to an amount equal to 50% of the average annual quantity actually consumed in the three years prior to the notice of exercising the option, subject to adjustments as set out in the supply agreement. Upon the reduction of the Minimum Quantity, the other quantities in the supply agreement will be reduced accordingly. Each of the buyers may exercise the Option by notice to the Sellers, over a period of 3 years, starting from 5 years after gas starts to flow from the Leviathan project to the Buyer. If the Buyer gives notice of exercise of the Option, the quantity will be reduced 12 months after delivery of the notice.

D. Most of the supply agreements set out various preconditions which include, obtaining the required approvals from the buyers regarding the agreement. As at the approval date of the report, the preconditions in most of the agreements have been fulfilled.

(2) Information about the supply of natural gas from the Leviathan reservoir to IEC

The Partnership and the partners in the Leviathan project supplied natural gas from the Leviathan reservoir to IEC up to June 30, 2021, under an agreement signed in June 2019 and amended in a settlement agreement signed on January 30, 2021, following various disputes between the parties and the partners in the Tamar project. The cumulative supply volume from the sale of natural gas to IEC from the Leviathan Reservoir (100%), both under the agreement as stated above, and under a spot-based agreement for supply of natural gas up to December 31 2021 amounts to 3.6 BCM, for a consideration of approx. USD 600 million.

(3) Agreement for the export of natural gas from the Leviathan project to NEPCO in Jordan

A. On September 26, 2016, an agreement for the supply of natural gas was signed between NBL Jordan Marketing Limited (hereinafter - the "Marketing Company") and the National Electric Power Company of Jordan (NEPCO) (hereinafter - the "Export Agreement"). The Marketing Company is a wholly

owned subsidiary of the partners in the Leviathan project, including the Partnership, that hold it in proportion to their interests in the Leviathan project.

Under the Export Agreement, the Marketing Company undertook to supply natural gas to NEPCO for 15 years as from the date of commencement of commercial supply or when total supply reaches 45 BCM. Supply under the Export Agreement started on January 1, 2020.

According to the Export Agreement, the supply point is at the connection between the Israeli transmission system and the Jordanian transmission system at the Israel-Jordan border. In December 2019, INGL completed the construction of the Israeli transmission system to the Israel-Jordan border amounting at a cost of USD 121 million (100%).

NEPCO has a take or pay commitment for a minimum annual volume of gas according to a mechanism set out in the Export Agreement.

The gas price set out in the agreement is linked to Brent oil prices and includes a minimum price plus marketing fees, transmission fees, and NEPCO's bearing of the transmission payments to INGL. On signing date, the Leviathan partners estimated that the cumulative revenues from natural gas sales to NEPCO may amount to USD 10 billion, assuming that NEPCO consumes the total contract quantity and based on the Partnership's estimate regarding the natural gas price during the term of the Agreement.

B. On November 9, 2016, the Leviathan Partners and the Marketing Company signed a back-to-back GSPA (hereinafter - the "Back-to-Back GSPA"), whereby the amounts to be received, the liabilities, the risks and the costs relating to the Export Agreement will be endorsed to the Leviathan Partners under the same terms (back-to-back), as if the Leviathan Partners were a party to the Export Agreement instead of the Marketing Company.

On April 14, 2020, the Marketing Company, the Leviathan Partners and HSBC Corporate Trustee Company (UK) Limited (hereinafter - "HSBC") signed an Offtake Intercreditor and Security Trust Deed intended to secure the Marketing Company's undertakings to the Leviathan Partners under the Back-to- Back GSPA, according to which HSBC will act as trustee for the collateral and undertakings by virtue of the Export Agreement.

Forward-looking information - The above information regarding the total financial value of the agreement to supply natural gas to NEPCO and the quantity of natural gas purchased which may be purchased under the agreement is forward-looking information, as defined in Section 32A of the Israel Securities Law, and there is no certainty that it will materialize in the manner set out above or in any other manner, in whole or in part, and it might materialize in a substantially different manner to that described above, due to various factors, including changes in the volume, rate and timing of consumption of natural gas by NEPCO, changes in the gas price resulting from changes in the Brent oil price, etc.

(4) Agreement for the export of natural gas from the Leviathan reservoir to Blue Ocean in Egypt

A. Following previous agreements with Blue Ocean, on September 26, 2019, the Leviathan partners and Blue Ocean signed an agreement for the supply of natural gas to Egypt (hereinafter - the "Export Agreement to Egypt"), and concurrently, the Leviathan partners and the Tamar partners signed an agreement for allocation of the available capacity in the transmission system from Israel to Egypt (for further information, see Section 1.7.33(D) below. Supply of natural gas to Egypt from the Leviathan reservoir, under the agreement, began on January 15, 2020.

B. It should be noted that in a tax decision issued to the Leviathan partners by the Tax Authority on December 9, 2019, and according to the terms of the Gas Framework, the Leviathan partners undertook to offer new customers (as defined in the Gas Framework) with which they engage or will engage from February 19, 2018 until 3 years from the date the tax decision, i.e. December 9, 2022, to enter into agreements for the sale of natural gas at a price calculated according to the formula in the Amendment to the Export Agreement to Egypt, which is based on the Brent Price, while performing several adjustments as set out in the tax decision, including in view of the location of the delivery point in the Export Agreement to Egypt.

C. <u>Summary of the main terms of the Agreement for Export to Egypt</u>

1. The total contractual gas quantity that the Leviathan Partners undertook to supply to the Buyer is on a firm basis and is 60 BCM (hereinafter - the "Total Contractual Quantity").

2. The gas supply, which commenced on January 15, 2020 and will continue until December 31, 2034 or until full supply of the Total Contractual Quantity, whichever is earlier (hereinafter - the "Supply

Period”). In the event that the buyer does not purchase the total contractual quantity, each party may extend the supply period by another two years.

3. The Leviathan partners undertook to supply annual quantities of gas to the buyer, as follows: (a) in the period beginning on January 15, 2020 and ending on June 30, 2020, 2.1 BCM per year; (b) In the period beginning on July 1, 2020 and ending on June 30, 2022, 3.6 BCM per year, using a compressor installed at the EMG terminal in Ashkelon; and (c) in the period beginning on July 1, 2022 and ending at the end of the supply period, 4.7 BCM per year. It should be noted that supply will be increased by upgrading the systems at the EMG terminal in Ashkelon, including installation of an additional compressor (hereinafter - the “additional compressor”), and by increasing transmission capacity in the INGL system and/or the flow of natural gas from Israel to Egypt through Jordan, as outlined in Section 1.7.13(B)(5) below.

4. The Buyer undertook to take-or-pay commitment for quarterly and annual quantities, in accordance with the mechanisms set out in the Export Agreement to Egypt, which, among other things, allow the Buyer to reduce the take or pay quantity in a year in which the average daily Brent price (as defined in the agreement) falls below USD 50 per barrel, to 50% of the annual contractual quantity. Insofar as the contractual quantity is reduced in event of a dispute regarding an adjustment to the gas price, as set out in subsection 5 below, the right of the buyer to reduce the take-or-pay quantity as aforesaid will be null and void. In this context, it should be noted that following the sharp drop in energy prices in the first half of 2020, the average daily Brent price (as defined in the agreement) fell below USD 50 per barrel.[47] However, as from the second half of 2020, the average daily Brent price (as defined in the agreement) increased and as at the approval date of the report, the Brent price per barrel is more than USD 115.

5. The price of gas supplied to the Buyer will be calculated by a formula based on the price of a barrel of Brent oil, and includes a minimum price. The Export Agreement to Egypt includes a mechanism for an update of the price at a rate of up to 10% (addition or reduction) after the fifth year and after the tenth year of the agreement, upon the fulfillment of certain conditions set out in the agreement. If the parties fail to reach an agreement on the price update as described above, the Buyer will be entitled to reduce the contractual quantity by up to 50% on the First Adjustment Date and up to 30% on the Second Adjustment Date. It should be noted that the Agreement includes quantity-based incentives and it is subject to the price of a barrel of oil.

6. The Export Agreement to Egypt includes standard provisions for its termination and provisions in the event of termination of the export agreement between the Tamar partners and Blue Ocean due to its breach, and the refusal of the Leviathan partners to supply the quantities set out in the Tamar agreement, and includes compensation mechanisms in such case.

D. Up to December 31, 2021, the Leviathan's partners provided the buyer with 5.35 BCM for a total consideration of USD 980 million. At the date of signing the Export Agreement to Egypt, the Partnership estimated the total contractual amount (for all Leviathan Partners) to be USD 12.5 billion. This estimate is based, among other things, on the assumption that the buyer will consume the total contractual amount set out in the agreement, and on various estimates for the price of natural gas in the supply period. It should be emphasized that the actual revenue will be based on a series of factors, most of which are beyond the Partnership’s control.

E. It is noted that, under the series of agreements signed in early 2022, to allow the piping of gas to Egypt through the Jordanian transmission system, the Leviathan partners and Blue Ocean signed agreements for export to Egypt, in which it was agreed, among other things, to define the delivery point in Aqaba, Jordan as an additional delivery point under the export agreement to Egypt, according to which the unsupplied quantities ordered by Blue Ocean will be calculated at the end of 2022 on an annual basis, such that at the end of the year, the parties will assess the quantity of unsupplied gas, which will be offset from the quantity of gas to be supplied to Blue Ocean on a spot basis during the year, and on the price adjustments for natural gas to be supplied at the additional delivery point, in accordance with the additional costs involved in transporting the gas from the additional delivery point, which Blue Ocean will cover.

Forward-looking information - The above information regarding the revenue expected under the Export Agreement to Egypt and the quantities of natural gas that may be sold to the buyer is based on assessments, forecasts, and assumptions made by the Partnership. These estimates constitute forward-looking information as defined in Section 32A of the Israel

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[47] For information about a claim and motion for its certification as a class action filed against the Partnership regarding the above condition, see Section 1.7.38(H) below, and for information about the administrative investigation by the Israel Securities Authority in this respect, see Section 1.7.34(I) below.1.7.38(I)

Securities Law, and there is no certainty that it will materialize, in whole or in part, and it may materialize in a substantially different manner, due to various factors beyond the Partnership's control, including changes in the volume, rate, and timing of natural gas consumption by the buyer, changes in the price of gas under terms of the agreement, and other factors that cannot be predicted at this time and over which the Partnership has no control.

(D) Agreements for the supply of condensate from the Leviathan Reservoir

(1) General

As described above, condensate is a liquid formed by condensation of natural gas. Since condensate is a byproduct of natural gas production and treatment, the production procedures for natural gas from the Leviathan reservoir require treatment of condensate and its transfer to the shore.

(2) Agreement for supply of condensate to Bazan

On December 15, 2019, an agreement was signed under which condensate produced from the Leviathan reservoir will flow via the existing EAPC pipeline to PEI's tank farm in Kiryat Haim and from there to Bazan's facilities, in compliance with regulatory directives.

The agreement signed with Bazan is on an interruptible basis for 15 years, commencing from the start of condensate flow (in commercial quantities), with each party having the right to terminate the agreement with at least 360 days' notice to the other party. In addition, each party may terminate the agreement with shorter notice under certain circumstances, including in the event of a breach by the other party, and in the event of regulatory and other changes that will not allow the flow of condensate in accordance with the agreement.

The flow of condensate to Bazan under the Bazan Agreement will be spot-based up to a maximum quantity agreed on by the parties. The parties may revise the Maximum Quantity from time to time, subject to compliance with the terms established by the authorities in this respect, including conditions laid down by the authorities in this regard, including the Ministry of Energy and the Ministry of Environmental Protection.

Under the agreement, the Leviathan partners are not entitled to any consideration for the supply of condensate to Bazan, and the Leviathan partners are required to cover all expenses, including tax exposures, for the supply of condensate.

(3) Memorandum of understanding with PEI

On June 14, 2021, Chevron, the operator in the Leviathan project, signed a non-binding memorandum of understanding with PEI to advance the option of a joint project to build and operate dedicated infrastructure for the delivery of condensate from the Leviathan rig to storage tanks at the Orot Rabin power plant, which will be leased for this purpose, and for loading 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.

It should be noted that, as at the approval date of the report, the Leviathan Partners, together with PEI, is assessing other options for the flow of condensate from the Leviathan rig via the existing PEI systems.

1.7.13. Marketing and Distribution

(A) Supply to the local market

The Partnership, together with its partners in the Leviathan project, supplies natural gas and condensate to its customers in Israel, under the agreements described in Section 1.7.12 above. Concurrently, the Leviathan partners are in various stages of negotiations with other potential customers in the local market, including independent power producers and industrial consumers, subject, among other things, to the supply capacity of the Leviathan project.

The supply of natural gas to some customers may also depend on further development of the national natural gas transmission system by INGL and completion of the regional distribution systems. As at the approval date of the report, natural gas produced from the Leviathan reservoir is marketed to customers jointly, under the exemption from certain provisions in the Economic Competition Law, 1988 (hereinafter - the "Economic Competition Law"), which the Prime Minister, acting as the Minister of the Economy, signed on December 17, 2015, and under supply agreements between the customers and all the Leviathan partners.

(B) Export

(1) General

The Partnership, together with the Leviathan partners, natural gas and condensate to customers in Jordan and Egypt, Israel, under the agreements described in Section 1.7.12C above. Concurrently, the Leviathan partners are working to identify other markets and potential customers outside Israel for marketing natural gas. The Company believes that the potential markets include the countries near Israel (including the Palestinian market, which currently purchases electricity from Israel although to the best of the Partnership's knowledge there are also plans to construct in the territory of the Palestinian Authority electricity generation power plants), mainly Egypt and Jordan, to which natural gas is exported by pipeline from the Tamar and Leviathan reservoirs, and more distant global markets to which natural gas may be exported though LNG (liquefied natural gas) and/or CNG (compressed natural gas). In this context, it should be noted that the Leviathan partners are assessing the economic viability of potential projects for the export of natural gas, through LNG (including liquefaction of natural gas on an FLNG) and CNG, as described below.

(2) Export via a pipeline

The Partnership is working to advance options for use of the existing and/or new pipeline to regional markets, in addition to the existing export agreements.

On July 19, 2020, Government Decision No. 235 was adopted ratifying the agreement of January 2020 between Israel, Cyprus, Greece and Italy in respect of construction of a pipeline to transport natural gas from the natural gas reservoirs ("East-Med") in Israel and Cyprus to European markets, under which the parties undertook to collaborate in connection with construction of the project.[48]In January 2022, Reuters news agency announced that the US Biden Administration had informed the government of Greece that President Biden was concerned about the advance of the EastMed pipeline project, due to economic and environmental reasons.[49]

(3) The natural gas market in Jordan[50]

In the Company's understanding, based on information and analysis received from independent consulting companies, Jordan's local use was 4 BCM in 2021, similarly to its consumption in 2020. Natural gas is the main energy source the production of electricity in Jordan. The estimate is that in 2021, 77% of the electricity in Jordan was produced using natural gas, and approx. 16% was produced using renewable energies. In the opinion of the Partnership, in 2022 Jordan's natural gas consumption is expected to remain at a level of 4 BCM, and over the next decade it is expected to be in the range of 3.8-4.2 BCM. The stability in the forecast of natural gas consumption in Jordan, notwithstanding the expected increase in demand for energy in general and electricity in particular, is due to the accelerated introduction of renewable energies in the electricity generation sector in Jordan, following government policy, and due to electricity generation from the Jordanian power plant (the Attarat power plant), which uses shale oil to generate electricity. As at the approval date of the report, the Leviathan project constitutes the main source of natural gas imported into Jordan for the purpose of electricity generation, together with marginal import (0.5 BCM in 2021) from Egypt through the Pan-Arab Pipeline. Jordan also produces negligible amounts of natural gas. To the best of the Partnership's knowledge, this facility is still operational and Jordan can continue importing LNG by taking advantage of opportunities in LNG spot markets. Regarding the export of gas from the Leviathan project to Jordan, it should be noted that in December 2019, the works for connection of the Israel-Jordan transmission system was completed, through: (a) a pipeline parallel to the existing pipeline from the Tel Kashish region to Dovrat; (b) construction of a new natural gas pipeline to the Israel-Jordan border; (c) construction of a follow-on pipeline on the Jordanian side, which connects the Israeli transmission system to the existing pipeline in Jordan (connection to the Arab Gas Pipeline operated by FAJR) (hereinafter - the "Northern Pipeline"). For information about the budget for

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48 For information about the agreement for East-Med gas pipeline that lead from Israel, via Cyprus and Greece to Europe, see the Ministry of Energy's announcement of January 1, 2020: https://www.gov.il/he/departments/news/ng_021220

and as of March 9, 2021: https://www.gov.il/he/departments/news/east_med_080321

For information about the Memorandum of Understanding for installation of the Eur Asia subsea power cable, see the Ministry of Energy's announcement of March 9, 2021:

https://www.gov.il/he/departments/topics/exploration_and_production_of_oil_and_natural_gas

49 https://www.reuters.com/business/energy/us-voices-misgivings-eastmed-gas-pipeline-greek-officials-2022-01-11/

50 The above information about the natural gas market in Jordan and Egypt is based, among other things, on reports published by external consulting companies.

construction of the Northern Pipeline, as approved by the Leviathan partners, see Section 1.7.4(D) above. Based on the data known the Partnership, the capacity of the Northern Pipeline may allow the supply of natural gas to Jordan and transmission to Egypt through Jordan in an annual quantity of up to 10 BCM to Jordan and via Jordan to Egypt.

(4) The natural gas market in Egypt

Natural gas plays a key role in the Egyptian energy market, while natural gas in Egypt is used mainly to produce electricity, but also for energy-intensive industry and households. Natural gas is the main energy source the production of electricity in Egypt. In 2021, 80% of the electricity in Egypt was produced using natural gas. In 2021, local production in Egypt amounted to 70 BCM, an increase of 16% compared with 2020, and the demand for natural gas in Egypt in 2020 amounted to 64 BCM, an increase of 9% compared with 2020.

Egypt has two natural gas liquefaction facilities to manufacture LNG for export, with a total liquefaction capacity of 12.2 million tons of LNG annually for the operation of which at full capacity 18-19 BCM of feed natural gas is required annually in addition to the local demand. As at the approval date of the report, the natural gas production in Egypt is sufficient to meet the needs of the local market, and for export through LNG, but is insufficient to operate both liquefaction facilities at full capacity. In this situation, one of the facilities is operating at partial output. According to reports of independent consulting companies, the demand forecasts for the local market in Egypt (except for the liquefaction facilities) for 2022, 2023, and 2024, amount to 65 BCM, 67 BCM, and 69 BCM, respectively, while local production from producing fields, fields under development, or fields with a high probability of starting production is expected to remain around 65 BCM per year; the gap between the demand forecasts for the local Egyptian market and local production in Egypt, is expected to increase even further in later years. The Egyptian government is taking measures to promote natural gas supply projects from discoveries in Israel and Cyprus, with the aim of making Egypt a natural gas hub, to satisfy the local market requirements and to use in the existing export facilities, and to promote investments in new export facilities. At the same time, the Egyptian government encourages the exploration, development and production activities in the field of natural gas in Egypt. As a result of these activities, there may be new discoveries in Egypt and/or the development of existing fields may be accelerated, such that the production forecasts referred to above will change.

Forward-looking information - The forecasts and estimates regarding the natural gas market in Jordan and Egypt are forward-looking information as defined in Section 32A of the Israel Securities Law. This information is based, among others, on information received from independent consulting companies and is within the scope of estimated forecasts and assumptions that are naturally subject to uncertainty. These forecasts and estimates may not materialize, in whole or in part, or may materialize in a substantially different manner to the above description, due to various factors beyond the control of the Partnership, including changes in demand for natural gas; changes in supply of natural gas, including local production, discovery and commencement of production of new reservoirs; changes in the energy mix, including accelerated introduction of additional energy source and renewable energies; changes due to macroeconomic effects that affect the economic activity in these markets, including acceleration or slowdown thereof, etc.

For information about the EMG Transaction, which allows the supply of natural gas to Egypt, see Section 1.7.33(D) below.

(5) Transmission agreements with INGL with respect to export to Egypt

A. On May 28, 2019, an agreement was signed between Noble and INGL for the supply of interruptible transmission services (hereinafter - the “INGL Agreement”) for the delivery of natural gas from the Leviathan and Tamar reservoirs to the EMG terminal in Ashkelon for export to Egypt (hereinafter in this section - the “2019 Agreement”); payment under the INGL Agreement will be based on the quantity of gas actually transmitted in the transmission system, subject to Chevron’s undertaking to pay for minimum quantities.

B. In July 2020, upon operation of the compressor at the entry to the EMG system in Ashkelon, the flow capacity in the EMG pipeline increased, within the limits of the infrastructure of the existing INGL transmission system, to 500 Mmcf/d (5 BCM per year). In accordance with the Agreement for Export to Egypt, the additional compressor was installed in Ashkelon, so that together with INGL’s construction of the combined Ashdod-Ashkelon section, flow capacity from the EMG system can be increased to 650 MMcf, per day and under certain conditions in the Israeli and Egyptian transmission systems, even more.

C. On January 18, 2021, Chevron entered into an agreement with INGL to provide transmission services on a firm basis for the transmission of natural gas from the Leviathan and Tamar reservoirs to the EMG receiving terminal in Ashkelon and for transmission to Egypt, which came into effect on February 14, 2021 (hereinafter - the “Transmission Agreement", or in this section - the “Agreement"). Description of the highlights of the Agreement:

1. Under the Transmission Agreement, INGL undertook to provide transmission services for the natural gas to be supplied from the Tamar and Leviathan reservoirs, including maintaining a base capacity in the transmission system in the annual volume of 5.5 BCM (hereinafter - the “Base Capacity”). For the transmission services with respect to the Base Capacity, Chevron will pay a capacity fee and will pay for the throughput gas quantity, according to the transmission tariffs that are customary in Israel, as updated from time to time. [51]INGL also undertook to provide interruptible transmission services for additional gas quantities over and above the Base Capacity, subject to the capacity that will be available in the transmission system. For the transmission of the additional quantities as aforesaid, Chevron will pay a transmission tariff for interruptible transmission services for the throughput quantities. To the best of the Partnership’s knowledge, the transmission system was designed to enable transmission of the full contractual quantity set out in the export agreements.

2. Under the Transmission Agreement, Chevron undertook to pay for delivering a gas quantity of no less than 44 BCM throughout the entire term of the agreement. If the parties agree to increase the Base Capacity, the minimum quantity for delivery will be increased accordingly.

3. The flow of gas under the Transmission Agreement will commence on the date INGL completed the construction of the Ashdod-Ashkelon transmission section (hereinafter - the “Council’s Decision”), in accordance with the resolution of the Natural Gas Authority Council regarding the financing of export projects through the Israeli transmission system and allocation of the construction costs of the Combined Section (hereinafter - the “Council’s Decision"), in a manner that allows the flow of the full quantities under the Transmission Agreement (hereinafter - the “Gas Flow Commencement Date").

4. The Transmission Agreement will expire at the earlier of: (A) the date on which the total throughput quantity will reach 44 BCM; (B) 8 years after the Commencement Date of Gas Flow; or (C) upon the expiry of INGL’s transmission license. The Partnership believes that at the end of the term of the Agreement, no difficulty is expected in its extension at the standard capacity and transmission tariffs of the holder of the transmission license at such time.

5. In accordance with the principles set out in the council’s decision, Chevron undertook to pay the amount of the partners’ share in the Leviathan and Tamar projects (56.5%) out of the overall construction cost of the Ashdod-Ashkelon combined section, which is estimated at NIS 738 million. In addition, Chevron undertook to pay NIS 27 million for the partners’ share, out of the total cost of acceleration of the doubling of the Dor-Hagit and Sorek-Nesher sections, which is estimated at NIS 48 million as at the approval date of the report.

6. In accordance with the Authority’s Decision, the Leviathan partners and Tamar partners provided a bank guarantee to secure INGL’s share of the construction cost of the infrastructure, and to cover Chevron’s undertaking to pay the capacity and transmission fee. Accordingly, in February 2021, the Partnership provided NIS 142 million in guarantees for its rights in the Leviathan project and also pledged an amount of USD 13 million in favor of deposit guarantees.

7. The Leviathan and Tamar partners will bear the costs set out in Paragraph E above and will provide the guarantees described in Paragraph F above. at the rates of 69% and 31%, respectively.

8. Under the Transmission Agreement, in the event of discontinuation of the export of natural gas from the Leviathan and Tamar Projects to Egypt, Chevron will be entitled to terminate the Transmission Agreement, subject to payment of damages to INGL for the early termination, in the amount equal to 120% of the construction costs of the Ashdod-Ashkelon combined section, together with the costs of acceleration of the doubling of the Dor-Hagit and Sorek-Nesher sections, and net of the amounts paid by Chevron until the Cancellation date for such costs of construction and acceleration and for the flow of gas under the Transmission Agreement. If, subsequent to the termination of the Transmission Agreement, export to Egypt resumes, the Transmission Agreement will be renewed, subject to and in accordance with the capacity which will be available in the transmission system at such time.

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[51] As of the approval date of the report, the transmission and capacity fee collected by INGL from its customers amount to approx. NIS 0.86 per MMBTU.

9. It was also determined that the transmission period under the 2019 Agreement will be extended until January 1, 2024 or until gas starts to flow under the Transmission Agreement, whichever is earlier.

D. Concurrently with the signing of the Transmission Agreement, Chevron, the Partnership and the other Leviathan and Tamar partners signed a back-to-back services agreement (hereinafter - the "Service Agreement") determining that the Leviathan and the Tamar partners will be entitled to transport natural gas (through Chevron) under the Transmission Agreement, and will also be responsible for fulfilling Chevron's undertakings under the Transmission Agreement, such that the Leviathan and Tamar partners will be deemed to have been party to the Transmission Agreement in lieu of Chevron, each according to its share as set out in the capacity allocation agreement between the Leviathan and Tamar partners, as set out in Section 1.7.21(C) below. The services agreement further stipulates that the Base Capacity retained in the transmission system for Chevron, will be allocated between the Leviathan partners and the Tamar partners according to the rates set out in Section H above and in accordance with the order set out in the capacity allocation agreement. The Leviathan and Tamar partners will bear a capacity fee in a fixed ratio of 69% (the Leviathan partners) and 31% (the Tamar partners), other than in the event that a party (the Leviathan partners or the Tamar partners, as the case may be) will have used the other party's share of available capacity.

E. Based on current updates from INGL regarding the completion of the Combined Section, it is gas flow is expected to begin in April 2023. As a result, the Leviathan partners signed a series of agreements for the flow of natural gas under the agreement for export to Egypt, through Jordan, using the Israeli transmission system to Jordan and the transmission system connecting Jordan to Egypt in the Aqaba-Taba area (the Pan-Arab pipeline). According to the said series of agreements, the gas flow through Jordan to Egypt has started, allowing maximization of production from the Leviathan reservoir and transfer of surplus natural gas, which is not consumed in Israel and Jordan and/or delivered to Egypt through the EMG pipeline to the local market in Egypt, through the Jordanian transmission system, mainly until INGL's completion of the Ashdod-Ashkelon offshore transmission system. In this context, it should be noted that the Ministry of Energy granted the Leviathan partners approval for another delivery point for natural gas to Egypt, which will be in Aqaba, Jordan.

Forward-looking information - The above estimates regarding construction of Ashdod-Ashkelon combined section, the costs of acceleration of the doubling of the Dor-Hagit and Sorek-Nesher sections, the costs of transmitting the gas, the date gas starts to flow, the quantities it will be possible to supply under the Transmission Agreement and the estimate regarding the possibility of extending the Transmission Agreement constitute forward-looking information, as defined in the Israel Securities Law, which is partially based on assessments provided to the Partnership by INGL through Chevron, and there is no certainty that it will materialize, in whole or in part, and it might materialize in a substantially different manner, due to various factors, including delays and failures in construction of the transmission system sections, different actual construction costs to those estimated, failure to receive the required regulatory approvals, changes in transmission prices applicable in Israel and other factors beyond the Partnership's control.

F. The natural gas market in Judea and Samaria and the Gaza Strip - Israel is the main source of electricity for the Palestinian Authority (Judea and Samaria, and the Gaza Strip). The Palestinian Authority has recently started to develop independent electricity generation, among other things, by advancing the construction of a new power plant for electricity generation in Jenin.

In the Partnership's estimation, the natural gas demand for operation of the power plant to be constructed in the Jenin area will be 0.2 BCM annually, and the demand for natural gas to operate the existing power plant in Gaza will be up to 0.25 BCM annually.

As of the approval date of the report, the Partnership, together with its partners in the different projects, are conducting negotiations in connection with, among other things, with the option of supplying natural gas to the existing power plants referred to above.

1. The natural gas market in Cyprus - As of the approval date of the report, 90% of the electricity production in Cyprus is based on imported oil-based products, such as diesel fuel. Cyprus also has difficulty in connecting to the European energy infrastructures due to its geographic location and being an island. However, to the best of the Partnership's knowledge, the Cypriot government and Cypriot electric company are taking steps to promote the replacement of fuel-based products with natural gas for the production of electricity. In 2007, the Cypriot government set up the Natural Gas Public Company (hereinafter - "DEFA"), which is exclusively responsible for the import, storage, marketing, transportation, supply and trade of natural gas in Cyprus, including management of the Cypriot natural gas distribution system. According to the regulations in Cyprus enacted in 2007

concerning the Cypriot natural gas market, this gas company has exclusivity to import and distribute natural gas in Cyprus. The Partnership, together with its partners in the Aphrodite Reservoir, is continuing to promote various stages of contacts and/or negotiations associated with exporting natural gas from the Aphrodite Reservoir to regional markets, including the Egyptian market, including connection to existing infrastructure in the Mediterranean Basin and negotiations for the supply of natural gas to the liquefaction facility in Idku, Egypt, in a quantity of 6 BCM per year for a period of 10-15 years.

Forward-looking information: The above information regarding the negotiations as aforesaid is forward-looking information, as defined in Section 32A of the Israel Securities Law, and there is no certainty that it will materialize, in whole or in part, in the above or any other manner, and it might materialize in a substantially different manner to the above description, and in particular there is no certainty that these negotiations will mature into binding gas sale agreements and that the conditions required under any law for such agreements to take effect, if signed, will be fulfilled.

(6) Liquefied natural gas (LNG)

The Partnership is exploring the option of liquefying the gas and transporting it as LNG in designated tankers to various countries where there is a demand for LNG. The construction of a natural gas liquefaction facility is a highly complex project, inter alia, due to the huge investment of liquefaction facilities with a liquefaction capacity of millions of tons of LNG annually, and due to the design, engineering, environmental, regulatory and commercial challenges involved in this type of project.

As at the approval date of the report, the Partnership, together with its partners in the Leviathan reservoir and third parties, is holding negotiations for export of natural gas to the liquefaction facilities in Egypt, liquefaction of the gas, and its sale in target markets for LNG. This requires construction of a dedicated gas pipeline from Israel to Egypt, as well as expansion of production capacity from the Leviathan reservoir.

In addition, the Partnership is assessing the construction of an FLNG on a dedicated vessel used for production and storage of LNG. This facility, if it is constructed, will receive treated gas from the Leviathan rig on the one hand, and will produce liquefied gas that will be unloaded by dedicated tankers on the other.

(7) Compressed natural gas (CNG)

The Partnership is exploring the possibility of exporting gas to countries in the Mediterranean Basin by compressing the natural gas (CNG) and transporting it by specialized ships or using designated portable tanks. Exporting natural gas in this way may allow access to new and more export markets, including Greece, Mediterranean islands, Italy and other countries. The Partnership held initial discussions with customers seeking to purchase Israeli natural gas in this way. It should be noted that, to the best of the Company's knowledge, there are currently no projects worldwide for supplying CNG in large quantities by sea.

1.7.14. Order backlog

(A) Below is information about the order backlog attributed to the Company's rights, as at the approval date of the report, calculated on the basis of the minimum gas quantities (according to the take or pay quantity) set out in the agreements on a firm basis in which all the preconditions were fulfilled, for the supply of natural gas and condensate from the Leviathan project, for which the customers have a take or pay commitment, and quantities actually consumed in January-February 2022 were also taken into account under the spot and interruptible agreements. Calculation of the order backlog was based on the following main assumptions: (1) all the options offered to customers in Israel to reduce the contractual quantity will be exercised; (2) possible decrease of take or pay quantities for exercising carryforward was not taken into account; (3) gas prices are based on discounts taken into account for the discounted cash flows in the Leviathan published by the Company; and (4) the minimum annual quantities in the Agreements for Export to Egypt will remain unchanged:

Period	Order backlog (in USD millions) as at December 31, 2021[52]
Q1 2022*	107
Q2 2022*	104
Q3 2022*	104
Q4 2022*	104
2023	354
2024	365
2025	366
2026	356
2027	361
2028	371
2029	373
2030	374
2031	377

* The quarters were divided on a linear basis and in accordance with the terms of the gas sale agreements (if determined) in relation to the gas quantities to be supplied and the Partnership's assumptions.

Forward-looking information: The Partnership's estimates concerning the date and total revenue expected from the order backlog is forward-looking information, as defined in Section 32A of the Israel Securities Law, based on the minimum gas quantities set out in the binding natural gas supply agreements from the Leviathan project and based on various assumptions regarding the quantities and prices of natural gas, regarding which there is no certainty that they will materialize, inter alia, due to the possible effect of any of the risk factors involved in the Partnership's operations, as set out in Section 1.7.37 below.

(B) The order backlog from the Leviathan project in 2021, as included in the Periodic Report for 2020, amounted to USD 670 million. The Partnership's actual revenue from the Leviathan Project in 2021 amounted to USD 883 million. The difference between the order backlog in 2021 and actual revenue in this period is mainly due to the fact that the actual quantities of gas supplied to customers exceeded the minimum gas quantities set out in the supply agreements.

1.7.15. Competition

(A) Natural gas discoveries in Israel

The natural gas supply from the Leviathan Project is currently carried out by pipeline and intended mainly for the local market as well as the markets in neighboring countries. As at the approval date of the report, the Partnership's main competitors in the local natural gas market are the partners in the Tamar project and Energean, the holders of the Tanin and Karish reservoirs, as well as the holders of oil and natural gas assets in neighboring countries and LNG importers.

The vast majority of the natural gas currently supplied to the Israeli market is from the Leviathan and Tamar reservoirs, which, as at the approval date of this report, are the only producing reservoirs within the territories of the State of Israel. In addition, from time to time, small quantities of LNG are supplied to the IEC by the regasification vessel through the offshore platform installed by INGL, in accordance with the supply terms in the sector, for backup, and taking into account global prices.

According to the provisions of the Gas Framework, the Karish and Tanin reservoirs owned by Energean are designated for the supply of gas to the local market only. To the best of the Company's knowledge, and based on Energean's reports, production from the Karish reservoir is expected to begin in the third quarter of 2022.

The Tamar partners signed an agreement for separate marketing of natural gas, which came into effect in May 2021. To the best of the Partnership's knowledge, as at the approval date of the report, no separate agreements for gas sales have been signed by any of the Tamar partners. It should be noted that implementation of the agreement by the Tamar partners may increase competition. As at the approval date of the report, the Leviathan partners market the gas produced from the Leviathan reservoir jointly, and no arrangements have been made for separate marketing of the gas. Under the

[52] As at the approval date of the report, there was no material change in the order backlog, even though it does not include quantities under agreements signed as from January 1, 2022 up to the approval date of the report.

joint operating agreement in the Leviathan project, each partner is entitled, under certain conditions, to market their share of the gas separately. Arrangements for separate marketing of the gas produced in the Leviathan project may intensify competition.

(B) Oil and gas exploration in recent years

On November 15, 2016, the Minister of Energy announced opening of Israel's exclusive economic zone to oil and natural gas exploration in a competitive process. As part of the First Competitive Process, on January 15, 2018, the Ministry of Energy granted the Greek company Energean 5 exploration licenses in the exclusive economic zone of Israel and on April 9, 2018, a license in one block to a consortium of Indian companies. Approval date of the reports at the approval date of the report, the consortium of Indian companies waived their right to continue exploration in the license area. Furthermore, on November 10, 2020, Energean announced it was waiving the rights to continue exploration in the Block 22 license area is therefore left with 4 exploration licenses granted in the Competitive Process.

On November 4, 2018, the Minister of Energy announced a second competitive process for natural gas and oil exploration in the exclusive economic zone of Israel in which 19 exploration licenses (blocks) were offered in 5 clusters of an area of 1,600 square kilometers each. As part of the process, on October 28, 2019, the Minister of Energy granted 8 oil licenses in two clusters to a consortium that includes two UK companies, Pharos Energy Plc, Capricon Energy Plc (the operator), and Ratio, and 4 licenses in one cluster to Energean (the operator) and Israel Opportunity.

It should be noted that the Partnership and Chevron were barred from participating in the first two competitive processes.

On June 23, 2020, the Minister of Energy announced a third competitive process for a single license in Block 72, which extends over large parts of the Alon D license, which, until it expired, was owned by Chevron and the Partnership. For information about the competitive process, see Section 1.7.10B above. As the approval date of the report, not response concerning the winner of the Third Competitive Process has been received from the Ministry of Energy. It is noted that Block 72 borders the unregulated EEZ border between Israel and Lebanon. It is further noted that Lebanon granted TotalEnergies an exploration license for Block 9, which partly overlaps Block 72. To the best of the Partnership's knowledge, there have recently been talks between the countries, mediated by the US, in connection with regulating that border, but no final understanding have been reached on the matter.

On January 7, 2021, the Minister of Energy announced launching of a fourth competitive process for natural gas and oil exploration in the exclusive economic zone of Israel in which 25 exploration licenses (blocks) sill be offered in to 6 clusters of an area of 1,600 square kilometers each. On December 15, 2021, the Minister of Energy announced that notwithstanding the announcement of the fourth competitive process, the Ministry of Energy will not advance the fourth process for natural gas exploration licenses in 2022, and that most of the attention and resources will be allocated to the establishment of a renewable energy division in the Ministry of Energy. [53]

If the drilling in the existing and/or new license areas leads to natural gas discoveries in significant quantities and if these discoveries (if any) are developed, these reservoirs will be competition in the Partnership's area of activity.

It is further noted that as far as the Company knows, over 15 years ago British Gas Group (now owned by Shell) discovered a natural gas reservoir known as Gaza Marine, off the coast of Gaza, with estimated reserves of 1 TCF, and this reservoir may be developed in future and marketed to the local market and/or the Palestinian Authority.

(C) LNG import

In January 2013, LNG started being imported to the local market through the Offshore LNG Import Platform and regasification vessel off the coast of Hadera. The Offshore LNG Import Platform is designed to receive an LNG regasification tanker that converts LNG into gas through the regasification vessel in an amount of up to 0.5 BCM per day.

In this context, it is noted that on December 29, 2020, the Ministry of Energy reported that the regasification vessel that has been operating since 2013 and used over the years as backup for the Israeli energy sector in the event of a natural gas shortage during peak hours or malfunctions, will

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[53] Ministry of Energy website, spokesperson announcement dated December 15, 2021: https://www.gov.il/he/departments/news/press_151221.

discontinue its activity in 2022.[54] The decision will be implemented, most probably, after regular commercial production from the Karish reservoir begins. However, the existing infrastructure to the regasification vessel will remain ready for operation and will be used by the sector when necessary.

(D) Coal and other alternative energy products

Coal and other alternative energy products are also competition for the natural gas suppliers. With respect to gas consumption by IEC, the natural gas suppliers compete with the use of coal for the production of electricity; therefore, the level of consumption and price of natural gas may be affected by the price of coal worldwide and the tax policy thereof in Israel. For information about the government of Israel's decision to reduce the use of coal, see Section 1.7.29(A) below.

The natural gas supplied by the Partnership to industrial customers replaces the use of liquid fuels, such as diesel fuel and fuel oil. The price of liquid fuels is usually higher than the price of the natural gas supplied by the Partnership, but despite being pollutants, the downtrend of oil prices worldwide may make these fuels competitive compared to the natural gas supplied to these consumers. However, it should be noted that the Ministry of Environmental Protection institutes policy designed to ensure that plants with connection infrastructure that enables using natural gas refrain from using polluting liquid fuels. It should be noted that, in addition to the above, it is expected that hydrogen will be gradually introduced into the mix of energy sources. Hydrogen may be used as fuel or as an energy carrier and can be produced through several methods, including natural gas cracking (gray hydrogen), extraction from natural gas together with carbon dioxide byproduct treatment (blue hydrogen), and its production by electrolysis of water using renewable energy (green hydrogen). Hydrogen itself has no carbon footprint and its use to produce energy does not emit greenhouse gases, hence its advantage, given the growing trend in the global energy market to minimize greenhouse gas emissions in general, and carbon dioxide emissions in particular. To the best of the Partnership's knowledge, as at the date of the report, Bazan is the only hydrogen producer in Israel and produces gray hydrogen. However, several companies in Israel as well as renewable energy and technology companies are assessing hydrogen production using various methods, and some of those companies are even in advanced development stages. Thus, for example, according to publications in the press, a first-of-its-kind hydrogen fueling station in Israel is planned to be constructed during 2022, in collaboration between Sonol Israel and the Bazan Group.

(E) Renewable energy sources

According to the review report of November 2021 published by the Ministry of Energy (for information, see Section 1.7.3(D) above), the dramatic changes in the global energy sector in 2021 were due, among other things, to the increase in the weight of renewable energies in the last decade from 8% to 12% of all global energy consumption, mainly due to two processes: (a the declared policy of governments, especially in developed countries, to address the climate crisis; and (b) technological improvements in renewable energies, storage, and demand management. According to the International Energy Agency (IEA), the demand for all fossil fuels is expected to decline, following fulfillment of the promised targets for renewable energy production. Against this background, the business sector is investing less in fossil fuels and related technologies, as there is significant concern about long-term demand for fossil fuels.

However, due to the soaring prices of natural gas in Europe in 2021 (which continued in early 2022), the authors of the report emphasize that to meet energy demand in the coming years, significant investments in natural gas and oil sectors must continue, to ensure a continuous and reliable energy supply until renewable energy goals are achieved.

Similar to other developed countries, the government of Israeli has adopted a policy to advance a low-carbon economy, and significant incentives are provided for development of renewable energy sources, such as solar and wind, which compete with the natural gas sold by the Partnership for electricity generation. For further information about the government's goals in this respect, see Section 1.7.2.9 below. To the best of the Company's knowledge, in 2021, actual consumption from renewable energy accounted for 8.1% of the total energy consumed in Israel in this year. According to the government's targets, as set out in Section 1.7.29(C) below, the rate of electricity generation using renewable energy is expected to reach 30% of the total electricity generation in 2030, among other things, by means of regulatory support, tax incentives to renewable energy electricity generation facilities, formulation of various action plans and removal of barriers. It should be noted that electricity production from renewable energy has numerous advantages mainly from an environmental aspect; however, electricity production from renewable energy in Israel relates mainly

[54] Additional information is available on the Ministry of Energy's website at: https://www.gov.il/he/departments/news/press_291220

to solar energy, a technology which is available on a partial and limited basis, and that is still considered to be relatively expensive and requires extensive areas. As such technology develops, together with the development of electricity storage technology that will allow inexpensive and stable electricity production from solar energy, the share of renewable energy in the electricity production mix in Israel is expected to grow.

(F) Natural gas discoveries and exploration in neighboring countries

Natural gas discoveries in neighboring countries and exploration that will lead to discoveries of new reservoirs, if developed, will also be competition for the Leviathan reservoir. The Partnership monitors the exploration activity and development and production trends in countries in the region, including Egypt, Cyprus, Lebanon and Jordan. Below is information about discoveries and exploration in Israel's neighboring countries:[55]

(1) Egypt

A. Resources: reserves amounting to 30 TCF and contingent resources amounting to 25 TCF.

B. Current gas production capacity: The existing infrastructure enables producing 70 BCM.

C. Domestic demand: The total domestic demand in 2021 amounted to 64 BCM compared to 59 BCM in 2020. For information about the scope of domestic market demand in 2020 and 2021 and the domestic demand forecasts in Egypt in the coming years, see Section 1.7.13(B)(4) above.

D. Prominent facilities: In Egypt, there are two LNG facilities: (a) The ELNG facility located in Idku, which is owned mainly by Shell and has an estimated production capacity of 7.2 million tons LNG per year; and (b) the SEGAS facility located in Damietta, which is owned mainly by Eni and has an estimated production capacity of 5 million tons LNG per year. 2021 was the best in the last decade in terms of LNG export volume from Egypt, which is estimated at 7 million tons. For further information about the LNG market in Egypt, see Section 1.7.13(B)(4) above.

E. Production situation: Natural gas production in Egypt in 2021 amounted to 72 BCM, while 73% of the gas was produced from natural gas fields in the Mediterranean Sea. Concurrently, the most prominent reservoir is the Zohr reservoir, which constitutes 40% of the total domestic gas production in Egypt. In 2021, production from the Zohr reservoir amounted to 27 BCM, which constitutes 86% of the reservoir's maximum production capacity.

F. Situation of exploration operations: In recent years, and particularly in 2021, extensive exploration licenses were offered by Egypt, among other things under tenders. Most licenses in the Mediterranean Sea region were granted to the leading companies in the industry, including Shell, Chevron, BP, Eni, ExxonMobil, and TotalEnergies.

G. Import/export balance: Since commencement of production from the Zohr reservoir in 2017, the total quantities of gas produced mostly exceeds the total domestic demand. According to different forecasts, local demand will be higher than the forecast local production capacity, due to, among other things, the expected increase in the population. Moreover, in order to feed the liquefaction facilities through which Egypt wishes to export natural gas, further quantity of natural gas of up to 18 BCM is required.

(2) Cyprus

A. Resources: Other than the Aphrodite reservoir, in 2018 and 2019 two significant discoveries were declared in the Cypriot exclusive economic zone (Glaucus and Calypso), which, according to announcements by the companies operating them, are estimated at a volume of 5-8 TCF in place, each.[56] These discoveries are subject to verification drillings for the purpose of estimating the resources and for general analysis. As at the approval date of the Report, the results of the appraisal drilling in the Glaucus discovery performed by ExxonMobil have not yet been published, and the appraisal drilling of Eni in the Calypso discovery is planned to be performed in 2022. To the best of the Partnership's understanding, among the development possibilities of these discoveries, the option of export to Egypt may be considered. As a result, the development of these discoveries, if any, may affect the Partnership's operations in Cyprus and/or Egypt.

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55 It should be noted that the information and forecasts below are based on information published by leading agencies in the field and professional publications.

56 "in place" - means the quantities of gas in the reservoir. The quantity that can be produced in practice is significantly lower.

B. Current gas production capacity: None.

C. Domestic demand: As of the approval date of the report, Cyprus does not consume any natural gas. For further information about the Cypriot market, see Section 1.7.13(B)(5)f.1 above.

D. Prominent facilities: None. A floating storage and regasification facility (FSRU) for the import of LNG is under construction in Vasilikos in Southern Cyprus by a consortium led by China Petroleum Pipeline Engineering Co. Ltd. The facility is expected to start operating in the first half of 2023.

E. Production status: None.

F. Situation of exploration operations: Cyprus granted licenses over most of its maritime zone to leading oil and gas companies, including Eni, TotalEnergies, and ExxonMobil. The dispute between Cyprus and Turkey concerning the rights in Cyprus's exclusive economic zone is causing significant delays in planning operations in the licenses located in the disputed areas.

G. Import/export balance: As at the approval date of the Report, the construction of the FSRU facility for LNG export has commenced. In December 2020, the Cypriot government reported that 25 different gas importation bids were received under the tender it published, with the aim of signing agreements in the future. Regarding future exports, in the absence of relevant regulation in Cyprus regarding natural gas export facilities, it is impossible to estimate how additional discoveries, if any, could affect the manner in which gas will be exported from Cyprus and the competition, if at all, and should it develop, with respect to the local market and access to export infrastructure.

(3) Lebanon

A. Resources: Not yet discovered.

B. Current gas production capacity: None.

C. Domestic demand: As at the approval date of the Report, the existing electricity production infrastructure in Lebanon is in a volume of 2 GW (less than a tenth that of Israel), of which 25 MW can be produced using natural gas in the Deir Ammar power plant in the north of the country.

D. Prominent facilities: None.

E. Production status: None.

F. Situation of exploration operations: As at the approval date of the Report, Lebanon has granted only two licenses to a consortium headed by TotalEnergies, in which there might be drilling in the coming two years. The other areas in Lebanon's exclusive economic zone are offered under a tender that is expected to close in summer 2022. Exploration in the south of Lebanon's exclusive economic zone is affected by a dispute regarding the maritime boundaries with Israel. Concurrently, Block 9 borders Block 72, which is offered for gas and oil exploration in Israel's exclusive economic zone, and also borders the Alon D license.

G. Import/export balance: As at the approval date of the Report, Lebanon is based on gas import only; the country is under an energy crisis, since there is no active agreement for such gas import. According to media reports, Lebanon has finalized with Egypt the import of gas to the Deir Ammar power plant, in an estimated volume of 60 MMCF per day.

(4) Jordan

A. Resources: All gas resources in Jordan amount to 70 BCF in the Risha field. In addition, there is an accumulation of shale oil, which is developed in the Attarat power plant project.

B. Current gas production capacity: In the Risha field, 0.1 BCM is produced annually.

C. Domestic demand: The domestic demand in Jordan amounts to 3.6-4.2 BCM and is affected by the demand for electricity and electricity generation using alternatives to gas, including renewable energy and oil distillates. Natural gas constitute 80% of the total sources for electricity generation of the Jordanian electricity company NEPCO.

D. Prominent facilities: As at the approval date of the Report, in the Gulf of Aqaba in Jordan, there is an LNG import facility, the Golar Eskimo FSRU, which is leased until 2025. In 2020, Jordan imported 0.8 million tons LNG and in 2021, it did not import any LNG at all.

E. Production situation: As at the approval date of the Report, the Risha field is the only producing gas field. Furthermore, wells are planned for the purpose of increasing the production rate from this field to 0.2 BCM during the coming 5 years.

F. Situation of exploration operations: In April 2021, Jordan announced an exploration tender during which 9 different blocks were offered. Although the names of the winners of this tender have not yet been announced, the Jordanian oil company NPC reported on exploration drillings that it expects to carry out in one of these blocks.

G. Import/export balance: As at the approval date of the Report, Jordan is based on the import of natural gas and energy, mainly from Israel and a small quantity from Egypt. For further information about the natural gas market in Jordan, see Section 1.7.13(B)(3) above.

1.7.16. Seasonality

(A) In Israel, Egypt and Jordan, the natural gas consumption for electricity production is affected, inter alia, by seasonal changes in demand for electricity and the maintenance plans of the power producers. The electricity consumption is usually the highest in the first and third quarters of the year (summer and winter). In Egypt, gas consumption is materially impacted by the demand for electricity and energy for cooling purposes and, therefore, summer months are the peak months in the demand for natural gas.

(B) Following is a breakdown of natural gas sales (100%) from the Leviathan project in the last two years:[57]

Period	first quarter (In BCM)	Second quarter (In BCM)	Third quarter (In BCM)	Fourth Quarter (In BCM)
2020	1.6	1.4	2.3	1.9
2021	2.7	2.8	2.8	2.6

1.7.17. Facilities and production capacity in the Leviathan project

(A) Phase 1A - First Stage of the development plan of the Leviathan project

The production system of Phase 1 - First Stage of the development plan comprises 5 main segments, as follows:

(1) Producing wells: 4 subsea production wells with a production capacity of up to 400 MMcf/d each. Natural gas from the Leviathan reservoir, which is at a depth of 3 km below the seabed, is transmitted from the production wells to the subsea production system. Another production well, Leviathan-8, is expected to be drilled in 2022, and is expected to be connected to the production system in 2023.

(2) Subsea production system: The subsea production system connects the production wells to the production platform, and is on the seabed. The subsea system has 14-inch pipelines which deliver natural gas and condensate from the wells to the subsea manifold; the manifold has two 18-inch exit pipes of 120 km each, which deliver natural gas and condensate to the production platform. The subsea system also has two 6-inch pipes of 120 km each to deliver MEG from the production platform to the wells. In addition, a 120-km umbilical cable that connects the production platform to the wells and allows command and control of the natural gas production from the wells.

(3) Treatment and production platform: The Leviathan platform is located 10 km from the shore. The entire treatment process of gas and liquids is performed on the platform. The platform is anchored to the seabed at a water depth of 86 meters by a jacket. The platform topsides are assembled on the upper part of the jacket, above sea level, and are divided at this stage into 2 main modules: (a) the domestic supply module, which contains, inter alia, natural gas and condensate production and treatment facilities, including gas liquid separator facilities, MEG regeneration unit, emission reduction unit (FGRU), generators, tanks, pumps, air compressors, helipad, employee living quarters, firefighting facilities, life boats, security devices, gas dehydration units, and auxiliary facilities and services, etc.; (b) a liquids supply module which stores condensate and MEG. The platform treats 1,200 MMCF of gas daily and 5,400 barrels of condensate daily. It should be noted that under certain operating conditions, it is possible to reach slightly higher production than the above quantity.

(4) Transmission system to the shore: The pipeline from the Leviathan platform to the shore comprises a 32-inch pipe to transmit natural gas[58] and a 6-inch pipe to transmit condensate. These pipes run

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57 The figures refer to total natural gas sales of all Leviathan and Tamar partners, rounded to the nearest tenth of a BCM.

58 For information about the license for construction and operation of a pipeline, see Section 1.7.31(B) below.

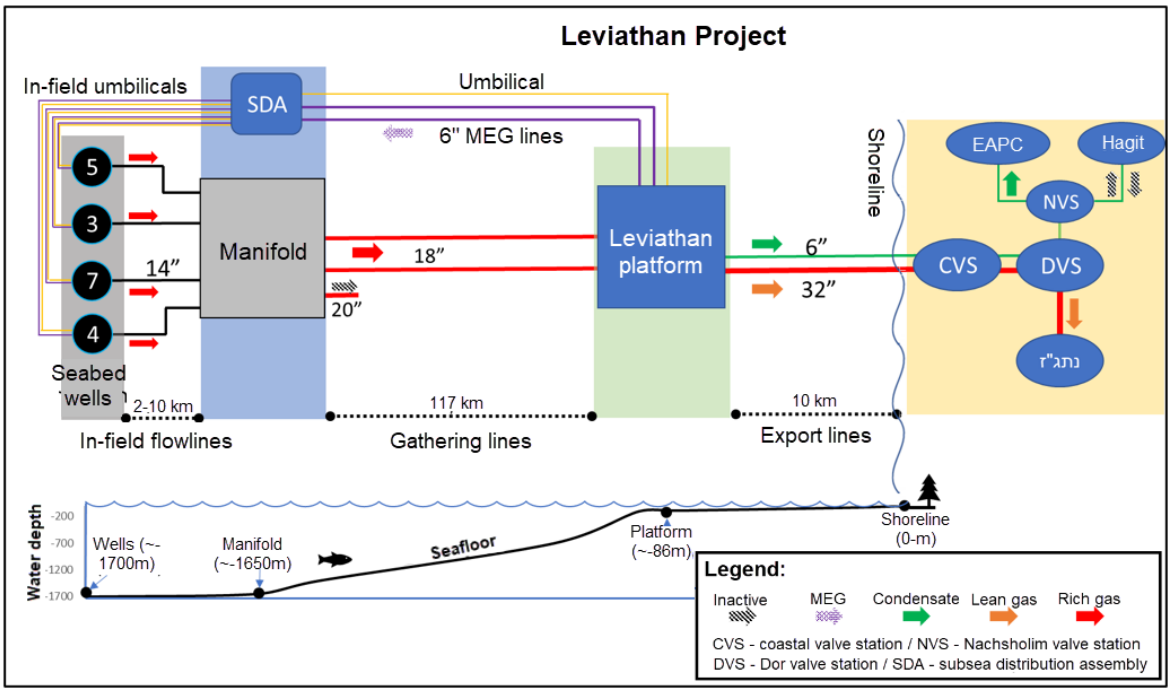
below the shoreline, through a designated 52-inch pipe that is used as a sleeve, reach the coastal valve station, and from there, to the Dor valve station, which is located near the INGL valve station, to which the natural gas is transferred. The condensate pipeline connects to EAPC's buried offshore oil line at the Nahsolim Valve Station.

(5) Hagit site: The Hagit site includes a condensate storage tank and the pipeline, fittings, equipment, pumps, command, control and operation system, a tanker filling facility, auxiliary facilities and services, if required for safe and environment-friendly operation. The condensate reaches the Hagit site through a 6-inch buried pipe. Without the ability to transmit to Bazan, the condensate will be transmitted and stored at the Hagit site, and delivered to Bazan when possible or removed to the customers by tankers when necessary. It is noted that the construction work of the condensate storage system at the Hagit site ended in 2020 and in February 2021, all permits required for its operation were obtained.

(B) Phase 1B of the development plan of the Leviathan Project

The planned facilities in the Leviathan Project based on Phase 1B - Second Stage of the development plan, if and when a resolution to approve it is adopted, might include: 4 more production wells, each with a daily production capacity of up to 400 MMCF. which will be connected by a subsea pipeline to the existing production system; another 20-inch subsea pipeline of 120 km to transmit gas from the manifold to the platform; a Regional Export Module with similar treatment facilities to Phase 1 - First Stage plus compressors will be added to the platform. These facilities are designed to have a treatment capacity of 900 MMCF, intended mainly for regional export, so that together with the Phase 1 - First Stage, the total daily treatment capacity of the platform will be 2,100 MMCF. The transmission of gas from the platform to the export markets will be made, inter alia, through a dedicated pipeline, as set out in Section 1.7.13(B)(2) above.

Below is chart of the Leviathan project facilities for Phase 1 - First Stage of the development plan of the Leviathan Project:



1.7.18. Raw material and suppliers

Generally, the Partnership does not contract directly with suppliers or professional contractors, and such contracting is left to the project operator. It is noted that there are currently no contractors in Israel that engage in drilling, offshore seismic surveys and some of the types of development and infrastructure works performed by the Partnership together with its partners in the various projects; therefore, the operator signs agreements with foreign contractors for these services who are instructed to integrate local services and consultant in their activities, if possible. Offshore drilling equipment and other specialized equipment is chartered and transported from across the globe according to availability, type of work and the needs of each project. Another important parameter that affects this matter is the price of crude oil: an increase in the price of crude oil usually affects the

volume of operations in the segment and as a result, also the availability of contractors and required equipment.

1.7.19. Human resources

According to the provisions of the Partnerships Ordinance and the Partnership Agreement, the management of the Partnership is entrusted to the General Partner. Generally, the staff of the Partnership are employed under personal employment contracts. The Partnership's officers and senior management staff are employed under terms agreed with each of them, according to the Partnership's compensation policy. For further information, see Regulations 21, 26 and 26A to Chapter D of this Report.

As at December 31, 2020 and December 31, 2021, the following employees were engaged in the Partnership:

Department	No. of employee at December 31, 2020	No. of employee at December 31, 2021[59]
Management and headquarters	9 (4 of whom are officers)	7 (3 of whom are officers)
Professional	7 (2 of whom are officers)	7 (2 of whom are officers)
Total	**16**	**14**

In addition to the directors of the General Partner and staff of the Partnership, as specified above, the Partnership engages various advisors, including geological and professional advisors, attorneys and financial advisors, when necessary. In addition, under the operating agreements in the different projects, the project operator employs staff for management and operation of the projects.

1.7.20. Working capital

The Partnership's working capital is composed, in terms of assets, primarily of cash balances, short term investments, various receivable balances, and accounts and trade receivables from joint transactions, and in terms of liabilities, primarily from accounts payable from joint transactions, undistributed declared profits and short term liabilities for disposal of oil and gas assets. For more information, see the statements of financial position in the financial statements (Chapter C to this report).

1.7.21. Financing

(A) General

As at the date of approval of this Report, the Partnership finances its operations mainly from the sale of natural gas to Leviathan Project customers and issuing of debentures for the institutional market in Israel and abroad.

Following the sale of the balance of the Partnership's rights in the Tamar and Dalit leases, the Partnership fully repaid in December 2021 the debentures issued by Delek and Avner (Tamar Bond) Ltd., a wholly-owned subsidiary of the Partnership, which were secured by pledging the Partnership's rights in the Tamar project.

In addition, in December 2021, the Partnership made a final settlement of debentures (Series A) issued by the Partnership.

(B) Debentures of Delek Leviathan Overriding Royalty Ltd.

On October 28, 2020, a wholly-owned SPC of Delek Energy, Delek Leviathan Overriding Royalty Ltd. (hereinafter - the "Issuer") completed the issuance of debentures to foreign and Israeli classified investors in the amount of USD 180 million par value, repayable in one installment on December 30, 2023 and bearing fixed USD-denominated interest at a rate of 7.494% payable twice a year, on June 30 and December 30 (hereinafter in this section - the "Debentures" and the "Leviathan Debenture Issuance", respectively). The Debentures were rated with a B+ rating on the international Fitch rating scale and were also listed on the TACT-institutional trading system of the Tel Aviv Stock Exchange.

According to the transaction outline, the rights of the Company (25%) and Delek Energy (75%) in Leviathan Overriding Royalty and the rights attached to the royalty were transferred to the Issuer on

[59] As at the approval date of the Report, the number of management, headquarters and finance staff is 8 (4 of whom are officers).

the transaction closing date and were pledged in favor of the trustee of the Debentures (hereinafter - the "Issuance Trustee") to secure repayment of the Debentures, under the terms of the deed of trust and the other documents under which the Debentures were issued (hereinafter jointly - the "Issuance Documents"). In addition, the Issuer pledged in favor of the Issuance Trustee the rights attached to the royalty and rights in some of the bank accounts and insurance policies (hereinafter jointly - the "Pledges").

The proceeds of the Issuance, less a security buffer and certain amounts were used for redemption of debentures of the Company under the amendment to the deed of trust described in Section 1.7.17(B) below. 1.7.21(B)

As is standard in financing transactions of this type, the Issuance Documents included covenants, restrictions, undertakings, and grounds to call for immediate repayment of the debentures and exercise the pledges.

It should be emphasized that the information set out below represents a partial and incomplete summary of the relevant provisions in the Issuance Documents and that the Issuance Documents include details of the various undertakings and grounds, restrictions subject to the occurrence of a material adverse effect ("MAE") on the Issuer (as defined in the Issuance Documents), as well as exceptions, additional terms, or cure periods that are not included in the description below.

(1) The Issuer has undertaken, among other things, not to take any financial debt in addition to the Debentures.

(2) The Issuer has undertaken that it will not carry out a merger or change its activities in a manner that is likely to cause a MAE, or that will result in liquidation proceedings or other defined structural changes, and will not sell, transfer, pledge or otherwise dispose of any of the pledged assets, other than transactions that are permitted under the Financing Documents, including full or partial sale of its rights in the Leviathan Overriding Royalty, subject to certain terms that are defined in the Financing Documents.

(3) Provisions were set out regarding early redemption of the Debentures, including, (1) early redemption initiated by the Issuer, subject to payment of a make whole premium; (2) mandatory early redemption in certain defined cases, including at the time of sale of all or most of the rights in the Leviathan Overriding Royalty.

(4) Events of default were defined, whose occurrence, subject to certain remedy periods, qualifications, and defined terms, will serve as grounds to call for immediate repayment of the outstanding balance of the debentures and the Issuance Trustee will be entitled to act to exercise the pledges, including in the following cases: (1) default on payment of principal, interest or other payments required under the financing documents; (2) material breach of representations; (3) breach of the covenants or negative covenants defined in the issuance documents; (4) an event or institution of insolvency proceedings of a material party to a gas agreement (as defined in the financing documents), the operator of the Leviathan project or Delek Drilling, if it is likely to cause a MAE (as defined in the documents); (5) premature termination of the JOA, the terms of the Leviathan lease, or material gas agreements to which Delek Drilling is a party (as defined in the documents), if it is likely to cause a MAE; (6) if a party to a material gas agreement (as defined in the documents) to which Delek Drilling is a party breached the agreement, if it is likely to cause a MAE; (7) in the event of decommissioning or suspension of operations of the Leviathan project for more than 15 consecutive days, if it is likely to cause a MAE; (8) if damage is caused to the Leviathan project (including physical damage, revocation of a license or transfer of Delek Drilling's rights in the project by a government authority), which is likely to cause a MAE, which has not been remedied; (9) in the event of denial or revocation of government approval related to the Leviathan project, which is likely to cause a MAE; (10) If any of the financing documents to which the Issuer is a party, or pledges provided under the issuance documents, with a cumulative value of more than USD 10 million, cease to be in effect; (11) if a non-appealable judgment is handed down against the Issuer for payment of an amount of more than USD 10 million, which was not paid; (12) the occurrence of an event that is likely to lead to the sale of the pledged assets or part of them subject to certain terms and restrictions; (13) if an undertaking to perform mandatory early redemption is breached; (14) if the provisions for expenses from the Issuer's account are breached.

(5) The Issuer has undertaken that all the proceeds from the Leviathan Overriding Royalty will be deposited in revenue account pledged in favor of the Issuance Trustee, which is subject to a waterfall payment mechanism, while any surpluses remaining in the account may only be used for buyback of shares or early redemption of the Debentures and cannot be distributed.

(6) Provisions have been stipulated for a safety buffer for the interest payments, and the Issuer has undertaken to comply with the covenant of an interest coverage ratio, as defined in the documents, such that this ratio will not be less than 1.2 (as at the date of the report, the ratio for 2022 is expected to be 2.2).

For further particulars, see Note 12K to the financial statements (Chapter C of this report).

(C) Debentures of Leviathan Bond Ltd. (hereinafter - "Leviathan Bond")

(1) On August 18, 2020, Leviathan Bond, a wholly-owned SPC of the Partnership, issued debentures to foreign and Israeli institutional investors, in accordance with Rule 144A and Regulation S, in a total amount of USD 2.25 billion, in 4 different debenture series, as follows (hereinafter in this section - the "Debentures" and the "Leviathan Bond Issuance", respectively):

(2) Debentures in a total amount of USD 500 million par value, repayable on June 30, 2023 (in one installment), bearing fixed annual interest of 5.75%.

(3) Debentures in a total amount of USD 600 million par value, repayable on June 30, 2025 (in one installment), bearing fixed annual interest of 6.125%.

(4) Debentures in a total amount of USD 600 million par value, repayable on June 30, 2027 (in one installment), bearing fixed annual interest of 6.5%.

(5) Debentures in a total amount of USD 550 million par value, repayable on June 30, 2030 (in one installment), bearing fixed annual interest of 6.75%.

The principal and interest of the debentures are in USD. The interest on the debentures of each of the Series will be paid twice a year, on June 30 and December 30. The debentures were listed for trading on the TACT-institutional system of the TASE. For further information about the Leviathan Bond Issuance, see the Company's immediate report of August 5, 2020, presented in this report by way of reference (Ref. No. 2020-01-084072).

The foregoing subsidiary provided the issue proceeds as a loan to the Partnership, under back to back terms as the terms of the debentures. The loan balance as at December 31, 2021 (less capital raising costs) was USD 2,224.8 million. It is noted that upon completion of the Leviathan Bond Issuance on August 18, 2020, the loan provided to the Partnership to finance its share of the balance of the investment in the development of the Leviathan Project of USD 1.67 billion as well as loans provided to the Partnership in a total amount of USD 300 million were repaid in full. For further information, see Sections 7.21.1(A) and 7.21.1(B) of the Periodic Report for 2019 and Note 12J1 to the Financial Statements (Chapter C of this Report).

(D) On December 5, 2021, the Partnership signed framework documents for providing bank credit that it received from a bank in Israel, for the Partnership's operating activities. Under the terms of the credit facility, the Partnership may, for a period beginning on December 6, 2021 and ending on December 6, 2022, from time to time, withdraw loans in USD, up to a total amount of USD 100 million, repayable by December 6, 2023. For further particulars, see Note 12J2 to the financial statements (Chapter C of this report).

1.7.22. Taxation

(A) For further information regarding taxation applicable to the Group's profits (hereinafter in this section - the "Companies") that were generated in Israel, see Note 30B1 to the Consolidated Financial Statements.

(B) The special tax issues, including the permit under the Petroleum Profits Tax Law, related to the Partnership's operations, have yet to be litigated in Israeli courts and it is not possible to determine or to anticipate how the courts will rule on such issues, if and when they are brought before them. Furthermore, for some of the issues there is no way to anticipate the position of the Tax Authority. Since the operations of the Corporations are subject to special taxes that include tax benefits, changes that may result due to an amendment to the law, a ruling or a change in the position of the Tax Authority, as set out above, could have material implications on the tax applicable to the Corporations.

(C) On August 3 2021, the Knesset Finance Committee approved an amendment to the Income Tax Regulations, according to which, as from the 2022 tax year, the tax regime applicable to the Partnership will be amended, such that it will be taxed as a company. Following this amendment, as from the 2022 tax year, the holders of participating units in the Partnership will be taxed for the distribution of profits by the Partnership, in the same way as the tax regime applicable to shareholders in the Company for distribution of dividends (i.e. - the two-stage method). For further details in this matter, see Note 12R to the financial statements (Chapter C of this report).

(D) Interpretation of Section 19 of the Taxation of Profits from Natural Resources Law

Until entry into force of the change to the tax regime applicable to the Partnership, in the 2022 tax year, as prescribed under the Amendment of the Income Tax Regulations described in Section **Error! Reference source not found.** above, the Partnership was a "transparent" entity for tax purposes, so that its taxable income and losses were attributed to the unit holders that are "eligible holders", as defined in the Income Tax Regulations, according to the ratio of their holding in the Partnership. "Eligible Holder" is defined as one holding participating units at the end of the day on December 31 of the tax year.

Under the previous tax regime, in accordance with the provisions of Section 19 to the Taxation of Profits from Natural Resources Law (hereinafter - "Section 19"), the general partner is required to file a report with the assessing officer on the Partnership's taxable income and pay the tax arising from the report, on account of the tax due from Partnership in the tax year of the report (meaning, on account of the tax due from the holders of the participating units, as at December 31 of each tax year), according to the share of the eligible holders in the Partnership who are an association of individuals and the share of the eligible holders in the Partnership who are individuals. Implementation of the provisions of Section 19 gave rise to interpretation difficulties and questions, which were discussed in several legal proceedings, as part of which, on June 28, 2021, the judgement of the Tel Aviv District Court was received, under which the Partnership was required to pay unit holders that are companies, in respect of the 2015 and 2016 tax years, a total of USD 14.9 million, for which there was a sufficient provision in the Partnership's Financial Statements. The judgment further specifies regarding 2017 onwards, that the Partnership will pay the tax assessment differences, if any; however, there no balancing payments will be made in respect thereof.

For further particulars, see Note 12Q(5) to the financial statements (Chapter C of this report).

(E) Oil and gas profits levy

The Natural Resources Profits Taxation Law passed by the Knesset in April 2011 sets out, among other things, provisions applicable to the Partnership and the Company regarding the obligation to pay an oil and gas profits levy according to an R-Factor mechanism. For information about the levy and the calculation mechanism thereof, see Note 12Q to the Financial Statements (Chapter C of this Report).

1.7.23. Environmental risks and mitigation thereof

(A) Exploration, development, and production of oil or natural gas naturally involve risk of causing environmental damage, which could occur, inter alia, due to malfunction of equipment and/or work procedures and/or unexpected incidents. The severity of the risks varies for each incident and therefore the method for handling and treating them also varies.

(B) The laws and/or guidelines of the competent authorities on environmental issues applicable to the Partnerships

(1) The Petroleum Law and its regulations stipulate that, inter alia, drilling will be accomplished with due caution to prevent seepage of fluids or gas into the subsoil or uncontrollable gushing, as well as to prevent their penetration from one geological stratum to another. Furthermore, it is forbidden to abandon a well unless it is plugged in accordance with instructions of the Petroleum Commissioner.

(2) Furthermore, the Partnership's operations through the Operator may be subject to the provisions of various environmental laws, including the Prevention of Marine Pollution (Dumping of Waste) Law, 1983 and its Regulations; the Law for the Prevention of Marine Pollution from Land-based Sources, 1988 "Marine Pollution Prevention Act from terrestrial sources") (hereinafter - the "Prevention of Marine Pollution from Land Sources Law") and its Regulations; Prevention of Marine Pollution by Oil (New Version) Ordinance, 1980; the Hazardous Substances Law, 1993 (hereinafter - the "Hazardous Substances Law") and its Regulations; the Maintenance of Sanitation Law, 1984 and its Regulations; the on Liability for Compensation for Oil Pollution Law, 2004 and its Regulations; the Protection of the Environment (Supervision and Enforcement Powers) Law, 2011 and its Regulations; the Prevention of Environmental Hazards (Civil Claims) Law, 1992; Clean Air Law, 2008 (hereinafter - the "Clean Air Law") and regulations promulgated thereunder; the Environmental Protection Law (Environmental Emissions and Transfers - Reporting and Registers Requirements), 2012 and its Regulations; Prevention of Nuisances Law, 1961 and its Regulations; the Protection of the Coastal Environment Law, 2004; the Business Licensing Law, 1968 (hereinafter - the "Business Licensing Law") and the regulations and orders issued thereunder.

(3) Recently there has been a public discourse on climate change and the human impact thereon, which may lead to regulatory changes with a material effect on the Partnership's operating segment.

Concurrently, in April 2021, the Climate Bill, 2021 was published aimed at creating an organizational framework for Israel to deal with climate change, which includes reference to several aspects, the central being actions to prevent and reduce greenhouse gas emissions, among other things, for the purpose of executing Israel's international commitment pursuant to the United Nations Framework Convention on Climate Change and to promote preparation for the impact and damage of climate change. In February 2022, a draft of a section added to the above bill was published for public comment, that deals with climate risk assessment and seeks to apply to the climate issue, a procedure of examining the effects similar to that in the world.

(4) Furthermore, in February 2022, the Bill for Streamlining Environmental Licensing Procedures (Legislative Amendments), 2022 was published, the purpose of which is to improve and streamline existing licensing systems both from a regulatory aspect and in terms of the environment, through comprehensive reform based on adjustment to the customary European Union standards. Under the bill, the licensing arrangement will be amended in existing environment legislation in a way that standardizes licensing procedures, to the extent possible, based on the principles of EU regulation, so that a standard environmental permit will be granted to operations with a potential to cause significant environmental impact.

(5) Furthermore, apart from the Israeli statutory regulation, additional provisions regarding environmental issues have also been added to the terms of the leases issued to the Partnership, and the permits granted for establishing and operating the production systems for the projects in which the Partnership is a partner. During exploration, drilling and/or oil and natural gas production operations, the Partnership purchases independently and/or through the Operator, in accordance with the directives for providing collateral with respect to oil rights; for details, see Section below, damage insurance coverage for expenses of environmental cleanup, removal of debris and bodily injury and/or property damage to third parties caused by sudden accidental, unexpected and uncontrolled eruption of oil and/or natural gas. The Partnership does not take out insurance for damages caused due to non-accidental pollution or resulting from gradual and ongoing progression. In this context, it is noted that the Petroleum Regulations (Principles for Offshore Petroleum Exploration and Production), 2016 (which revoked the Regulations of 2006) were published, which include various provisions concerning offshore oil exploration and production, and among other things, conditions regarding the identity of the operator, including its experience in maintaining safety and environmental protection during its exploration and production operations.

(6) Environmental guidelines for offshore exploration and production of oil and natural gas

In September 2016, the Ministry of Energy, together with the Ministry of Environmental Protection and other ministries, published draft guidelines for receiving public observations for the purpose of regulating the environmental aspects of offshore oil and natural gas exploration, development and production activities. Furthermore, the Ministry of Energy and the Ministry of Environmental Protection, as well as other agencies on behalf of other governmental bodies, including the Israel Lands Authority, issued environmental directives to which the Partnership may be directly or indirectly subject. These directives are revised from time to time, and they are intended to instruct holders of offshore oil rights what measures and documents they are required to prepare as part of their activities within their leases, for the purpose of preventing or minimizing as far as possible any environmental hazards that could develop during offshore oil and natural gas exploration, development and production activities. These guidelines are an integral part of the oil right and the work plan, and digression could lead to revocation of the right. These guidelines include provisions regarding conducting of a seismic survey, provisions regarding exploration and appraisal drillings and guidelines following a discovery and in a lease, and they set out the different tests, approvals and permits required by the rights holders in each of these stages.

(7) In addition to the instructions of the Ministry of Energy and the Ministry of Environmental Protection, the Partnerships' operations may be directly or indirectly subject to environmental directives of other authorities, that may be given from time to time, on behalf of other governmental entities, including the Israel Lands Administration.

(C) In addition, the operating permits for the Leviathan and Tamar platform stipulate the leaseholder's duty to act, with regard to environmental protection issues, pursuant to the law and the provisions and permits that are given pursuant to any law, as well as provisions regarding waste discharge into the sea, and emissions into the air, etc. These platform operating permits further stipulate that on matters with regard to which there are no Israeli legislative provisions, US safety and environmental protection standards will apply, as well as the provisions specified in some of the annexes to the MARPOL Convention (International Convention for the Prevention of Marine Pollution), which are or will apply with regard to movable or permanent rigs.

(D) Environmental related events

Based on information given to the Partnership by the Operator in the Leviathan Project, in 2021, there were no events or circumstances connected to the operations of the Partnership that caused environmental damage and that had a material effect on the Company and/or its operating sector. For further information on material legal or administrative proceedings relating to the environment, see Section 1.7.19(G) below

(E) Environmental risk management policies

(1) The operator of the Leviathan Project follows a strategic ecological policy for protecting the environment and for complying with the provisions of the law in general and the environmental laws in particular. These policies include the operator's strict compliance with actions in accordance with an environmental hazard system, including appropriate training of personnel, as well as a work plan for minimizing environmental damage and preventing failures and accidents, and for consistent improvement of the organizational culture with regard to safety, the environment and hygiene. As part of this, the operator has a dedicated team for the development stage and the operating stage, responsible for implementing and supervising this policy and for carrying out the procedures to ensure implementation of and compliance with all requirements and standards, including various systems for the management of environmental risks, such as Safety & Environmental Management Systems (SEMS). In addition, the operator carries out due diligence, through a third party, in addition to the routine audits by the Ministry of Energy and the Ministry of Environmental Protection, of the production installations. The operator conducts routine activities with regard to environmental protection, safety and hygiene issues to increase awareness, knowledge and preparedness, including drills and training of the operating crews. In addition, the Operator acts to obtain all the permits required under the environmental regulatory provisions for each of the fields in which it operates, as the case may be, including business licenses under the Business Licensing Law, toxins permits under the Hazardous Substances Law, waste discharge permits under the Prevention of Sea Pollution Law, and air emissions permits under the Clean Air Law. The Partnership is working to obtain periodic and specific updates, as required, concerning the Operator's activities in respect of the said matters.

(2) In 2019, the Leviathan Project Operator received a business license, waste discharge permit and a preliminary toxins permit for the Leviathan Rig, which are extended from time to time as required by law. The business license is valid until December 31, 2029, the toxins permit until June 3, 2022 and the waste discharge permit until March 31, 2022. The validity of these permits is extended from time to time according to the requirements of the law. A business license and toxins permit were received for the Hagit field, which are extended in a similar manner.

On November 6, 2019, the Operator received an air emissions permit for the Leviathan Rig, the validity of which is set out in the law, for a period of 7 years until 2026 (hereinafter - the “Leviathan Emissions Permit”). The Leviathan Emissions Permit includes, among other things, maximum emission levels for emission sources on the Leviathan Rig, and provisions with regard to implementation of best available technology, monitoring, sampling, control and reporting to the Ministry of Environmental Protection. At the Operator’s request, in 2020 and 2021, the terms and conditions of the Leviathan Emissions Permit were revised several times. On February 1, 2022, the Ministry of Environmental Protection published a draft for public comment of a proposal to change conditions in the aforesaid emissions permit.

(F) Environmental costs and investments

The expected costs for environmental protection are included in the budgets for the various projects and are revised from time to time, in accordance with the approved work schedules. As at date of approval of the Report, no additional material costs are expected.

(G) Material legal or administrative proceedings on environmental issues

As at date of approval of the Report and to the best of the Company's knowledge, no material legal and/or administrative proceedings are being conducted against the Company and/or Partnership and/or any of the Group companies operating in the energy sector in Israel and/or any of their officers, with regard to environmental protection, that could have a material effect on the Company and its operating segments.

(1) On August 28, 2019, the Homeland Guards Association (hereinafter in this section - the “Petitioner”) petitioned the Jerusalem District Court against the Ministry of Environmental Protection and its officials and against Chevron and the Ministry of Energy, and sought to instruct the Ministry of Environmental Protection and its officials to require Chevron or the Ministry of Energy to provide various items of information, which, the Petitioner claims, is required for the purpose of making a

decision on the application for the Leviathan Emissions Permit; to release the full information to the public and to allocate a 45-day period for comments; and to refrain from issuing an Emissions Permit for the rig until the petition is heard. Concurrently with the petition, a motion was filed for an interim order and a temporary injunction, aimed at preventing the issue of the Leviathan Emissions Permit until the petition was heard. On December 19, 2019, the court handed down a judgment dismissing the petition, and on November 2, 2021, the Supreme Court handed down a judgment dismissing the appeal of the judgment filed by the petitioner.

(2) In the petition filed with the Jerusalem District Court in November 2019, by the Zichron Yaakov Local Council, Zalul Environmental Association, the Jisr az-Zarqa Local Council, the Megiddo Regional Council, the Pardes Hanna-Karkur Local Council, and the Hefer Valley Regional Council (hereinafter in this section - the “Petition" and the "Petitioners", respectively), against the director of the Air Quality Division at the Ministry of Environmental Protection and against Chevron, the court was petitioned to order the nullification of the emission permit of the Leviathan rig and to rule that no activity involving the emission of gases will take place on the Leviathan rig. On March 15, 2020, the District Court handed its judgment, dismissing the Petition. On October 7, 2021, the Supreme Court handed down a judgment dismissing the appeal on the judgment filed by the petitioners, stipulating that the court had recorded Chevron’s statement that any change in its intention to carry out monitoring and sampling will be brought to the Commissioner’s attention, and that it will comply with the Commissioner’s directives on this matter.

(3) On January 19, 2020, the Homeland Guards Association filed a petition with the Jerusalem District Court against the Ministry of Environmental Protection and Chevron, seeking to order the Ministry of Environmental Protection to release to the public its reasoned decision on Chevron’s request to view the information concerning the streaming in the Leviathan Reservoir wells as containing information classified as a trade secret. The Petitioner claims that failure to publish a reasoned decision constitutes a breach by the Ministry of Environmental Protection of the provisions of the Clean Air Law. It was further alleged that the Ministry of Environmental Protection had violated its internal procedures that deal with reviewing of requests to recognize a trade secret. A preliminary hearing of the petition was held on May 23, 2021 as part of which, due to the consent of the Ministry of Environmental Protection to publish on its website a detailed decision as to the information being a trade secret, the court ordered the petition to be struck out.

(4) <u>Sanctions</u>

A. On May 20, 2020, Chevron received notice from the Ministry of Environmental Protection of its intention to impose a monetary sanction, in an insignificant amount, for alleged violations of the Leviathan Emissions Permit, the Clean Air Law, and the directive of the Emissions Permit Commissioner at the Ministry of Environmental Protection (hereinafter - the “Commissioner”) issued in connection with the continuous monitoring systems on the Leviathan Rig. Chevron informed the Partnership that it had submitted a request to the Ministry of Environmental Protection for information under the Freedom of Information Law, 1998 (hereinafter - the “Freedom of Information Law”), that directly deals with the claims raised in the foregoing notice and that the Ministry of Environmental Protection approved a postponement of the date for submitting claims regarding this monetary sanction and fixed it for 30 days after receipt of the information. As at the date of approval of the Report, the requested information has not yet been received and therefore, it is not possible to assess the likelihood of further reductions in the amount of the fine or Chevron’s ability to have some components of the sanction dismissed.

B. On July 1, 2020, Chevron received another notice from the Ministry of Environmental Protection regarding its intention to impose a monetary sanction, in an insignificant amount, for alleged violations of the emissions permit granted to the Leviathan Rig and of the Clean Air Law, and the Commissioner’s directive regarding the use of flare stacks on the production platform. On August 16, 2020, Chevron submitted its arguments in respect of this sanction to the Minister of Environmental Protection and on December 13, 2020, the Ministry of Environmental Protection’s decision was received, according to which it was decided to dismiss some components of the sanctions which the Ministry of Environmental Protection intended to impose and replace them with a new sanction, and to partially reduce the amount of one of the fines. Payment for these fines were transferred to the Ministry of Environmental Protection on January 12, 2021.

C. On January 28, 2021, another decision of the Ministry of Environmental Protection was received instructing the cancellation of the new sanction imposed under its foregoing decision and refunding of the amount paid for it to Chevron, and this since Chevron was not granted the right to a fair hearing regarding imposition of the new sanction prior to its imposition, and at the same time it notified that it intends to impose such monetary sanction, while giving Chevron an opportunity to complete it arguments in this regard, by February 28, 2021. On March 7, 2021, Chevron filed its arguments and

on September 5, 2021, the Ministry of Environmental Protection's final decision was received imposing on Chevron a fine in an insignificant amount. Payment for this fine was transferred to the Ministry of Environmental Protection on October 5, 2021.

D. On June 6, 2021, notice was received from the Ministry of Environmental Protection concerning its plans to fine Chevron under the Clean Air Law, in an immaterial amount, due to 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). Chevron filed its arguments to the intention notice dated July 6, 2021, and on November 24, 2021, the Ministry of Environmental Protection's decision was received order the imposition of a reduced fine in respect of the said event. The decision indicated that it was decided to reduce the amount of the fine due to the fact that Chevron took action to prevent recurrence of the violations and because of the fact that Chevron ceased the violation at its initiative and reported it to the Commissioner. Payment for this fine was transferred to the Ministry of Environmental Protection on December 22, 2021.

(5) Hearings

A. On January 19, 2021, Chevron received a warning and a notice of a hearing, with regard to an alleged violation of the waste discharge permit that was given to the Leviathan Rig, with respect to the open system waste standards set out in the permit. After, on February 28, 2021, Chevron sent the Ministry of Environmental Protection its pleading in response the warning and notice of a hearing, on March 22, 2021 a hearing was held on the matter, in which it was decided that the Ministry will not recommend punitive sanctions for the alleged violations; however, in the event of further violations, it will consider exercising its full powers under the law. It further provided that Chevron must prepare procedures and complete measures for locating sources of oil spill.

B. On November 1 2021, Chevron received a warning letter and an invitation for a hearing before the Ministry of Environmental Protection in respect of failure to comply with the discharge permit to the sea given to the Leviathan rig and the breach of the Prevention of Sea Pollution Law; according to the letter, Chevron failed to comply with the criteria set for discharge from the open system. The hearing was held on January 6, 2022, in which it was determined that Chevron must take all measures to prevent violations of the discharge permit and that the Ministry of Environmental Protection is considering exercising its full powers under the law, including a possible recommendation to impose a fine in accordance with the law.

It is not possible at this stage to assess whether sanctions will be imposed on the Company following the hearing.

(6) On December 15, 2020, a motion for certification of a class action was filed in the Tel Aviv District Court against Chevron (hereinafter in this section - the "Respondent") by a resident of the Dor Beach region, called "anyone who was exposed to air, sea, and beach pollution due to prohibited emissions from the offshore gas rig operated by the respondents opposite Dor Beach, and which serves the Leviathan natural gas reservoir, in the period between the start of the rig's operation in December 2019 and until a ruling is handed down in this action" (hereinafter in this section - the "Motion for Certification" and the "Class Members"). In essence, it is alleged in the Motion for Certification that the Respondent exposed the Class Members to air, sea and environmental pollution, due to prohibited emissions deriving from the Leviathan rig. Such exposure, according to the Petitioner, created various health problems (which were not specified in the motion got certification) and damage of impairment of autonomy due to the health concerns as aforesaid. The main remedy sought in the motion for certification is compensation for the Class for the damage it allegedly incurred which is estimated at NIS 50 million. In addition, the Petitioner moved for a remedy of an order instructing the Respondent to immediately comply with its obligations under the Clean Air Law and the Regulations promulgated thereunder. On May 5, 2021 the court proposed that the parties negotiate and on June 21, 2021, the parties notified the court that they had not reached any agreements that may advance the proceedings and therefore, it should continue to be administered before the court. A pretrial hearing has been set for May 16, 2022.

As at date of approval of the Report, the Partnership estimates that, based on the opinion of the Operator's legal counsel in the proceedings, at this stage the chances of the appeal being dismissed outweighs the chances of it being granted.

(7) Cyprus

To the best of the Company's knowledge, under the Impact on the Environment from Certain Plans and/or Programs Law (2005), (which was adapted to the EU directive), strategic environmental assessment is required with regard to government decisions concerning activities or programs that may affect the environment. The Cypriot Ministry of Energy assigned the preparation of the strategic

environmental assessment report to companies operating in the industry (following a tender) with regard to oil and natural gas exploration and production in Cyprus and in the Cypriot exclusive economic zone (EEZ) (hereinafter - the “Environmental Report"). The holder of an exploration and production permit is required to operate in accordance with the Environmental Report and to conduct preliminary environmental surveys for such operations in the permit area.

It is further noted that the EMG Pipeline and its operation, which connects the Israeli pipeline network in the Ashkelon area to the Egyptian pipeline network in the el-Arīsh are, are subject to both Israeli and Egyptian regulation.

As at the date of approval of this Report, and according to information the Partnership received from the Operator, the Company is not aware of any failure to comply or deviation from environmental requirements in any of the projects in which the Partnership holds rights, which could have material effect on the Partnership and on the Company.

1.7.24. Restrictions on and supervision of the Partnerships' operations in the area of activity

(A) The Gas Framework

On August 16, 2015, Government Decision No. 476 was issued (which was adopted in the government decision of May 22, 2016), regarding an outline plan for increasing the quantity of natural gas produced from the Tamar[60] natural gas field and swift development of the Leviathan, Karish, and Tanin gas fields and other gas fields (hereinafter in this section - the “Government Decision”), that came into force on December 17, 2015 with an exemption granted from certain provisions of the Economic Competition Law to the Partnership, Avner, Ratio and Chevron (hereinafter in this section - the “Parties”) by the Prime Minister, in his capacity as Minister of the Economy, pursuant to the provisions of Section 52 of the Economic Competition Law, 1988[61] (hereinafter in this section - the “Exemption” or the “Exemption Pursuant to the Economic Competition Law”);[62] the Exemption applies to certain restrictive arrangements which ostensibly may have been attributed to the Parties, as set out in the Government Decision (hereinafter - the “Restrictive Arrangements”). The Government Resolution and the Exemption will be referred to hereinafter as the “Gas Framework".

Set forth below is a summary of the key provisions of the Gas Framework.

(1) Following are the restrictive trade practices for which the exemption was granted:

A. The restrictive arrangement that was allegedly created, according to the position of the Competitions Commissioner, as a result of the acquisition of the Ratio Yam license by the Partnership, Avner and Chevron; and the restrictive arrangement allegedly created, as a result of the parties joining together as co-holders of the Ratio Yam permit and Leviathan reservoir.

B. The restrictive arrangement that may allegedly be created if the parties or some of them will jointly market the gas produced from the Leviathan reserve to the domestic market until January 1, 2025. [63]

C. The restrictive arrangement that will arise, ostensibly, if all or some of the parties will jointly market the gas produced from the Leviathan reservoir for export only.

D. The restrictive arrangement that may allegedly be created as a result of a specific natural gas purchase agreement from the Leviathan reserve, provided that such agreement is signed by January 1, 2025.

E. With regard to their operations in the Tamar and Leviathan reservoirs only, the Partnership, Avner and Chevron hold a monopoly as declared by the Competitions Commissioner.[64]

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60 Tamar was defined in the exemption attached to the Gas Framework as "a natural gas reservoir located in the area of the Tamar I/12 and Dalit I/13 leases and the rights held by the holders of the Tamar in the gas pipeline infrastructure and all its components and parts, including the rights of the holders of Tamar to use the onshore reception and processing facility, from the Tamar Reservoir to the National Pipeline network".

61 On January 1, 2019, the amendment to the Competition Law was approved, including the change of the name of the law from the Restrictive Trade Practices Law to the Economic Competition Law.

62 On January 1, 2019, the amendment to the Competition Law was approved, including the change of the name of the law from the Restrictive Trade Practices Law to the Economic Competition Law.

63 The Minister of Energy has the authority, under certain conditions set out in the Exemption, to extend the exemption until January 1, 2030.

64 The Minister of Energy has the authority, under certain conditions set out in the Exemption, to extend the exemption until January 1, 2030.

(2) The exemption from the restrictive arrangements set out above is conditional on the fulfillment of the following conditions:

A. Transfer of rights in Karish and Tanin reservoirs

1. Under the Gas Framework, the Partnership, Avner and Chevron are required to transfer all their interests in the Karish and Tanin Leases to a third party that is not affiliated with any of the Parties, subject to the approval of the Commissioner of Petroleum Affairs.[65]

2. The permitted export quota of 47 BCM from Karish and Tanin reservoirs was replaced, as of the date of approval by the Commissioner of Petroleum Affairs, by the duty to supply the domestic market imposed on the Leviathan lease holders.

   In accordance with the provisions of the Gas Framework, the entire holdings in the Karish and Tanin Leases were transferred to a third party in December 2016. For further information see Section of this Report. REF _Ref474055614 \w \h * MERGEFORMAT

B. Transfer of rights in the Tamar project

1. According to the Gas Framework, the Partnership and Avner are obligated to transfer, until December 17, 2021 (within 72 months from the date the exemption was granted, hereinafter - the "Tamar Effective Date") all their rights in the Tamar and Dalit Leases to a third party that is not related to the any of the parties or that holds a means of control in the Leviathan or Karish and Tanin reservoirs, subject to the approval of the Commissioner of Petroleum Affairs.

2. By the Effective Date for Tamar, Chevron will submit a binding sales contract to the Commissioner of Petroleum Affairs, such that subsequent to its realization, Chevron's rights in the Tamar lease will be no higher than 25% and the excess rights will be transferred to a third party that is not related to the parties or to any one of them, and does not hold the means of control in the Leviathan reservoir or the Karish and Tanin reservoirs, subject to the approval of the Commissioner of Petroleum Affairs.

   In accordance with the provisions of the Gas Framework, the Partnership transferred its rights in the Tamar Project under a sale of rights in the Tamar Project at a rate of 9.25% to Tamar Petroleum, which was concluded in July 2017 and a sale transaction of 22% of the rights to Tamar Investment 1 RSC Limited and Tamar Investment 2 RSC Limited, which was concluded in December 2021. Furthermore, in May 2021, the Partnership sold all its holdings of Tamar Petroleum shares in an off-TASE transaction.

   To the best of the Partnership's knowledge, according to the provisions of the Gas Framework, Chevron decreased its rights in the Tamar Project to 25%, after entering, in December 2016 and March 2018, into two transactions for the sale of rights in the project at a rate of 3.5% and 7.5% to Everest and Tamar Petroleum, respectively.

(3) New agreements for the supply of natural gas

The Gas Framework sets out certain restrictions applicable with respect to gas supply agreements from the Leviathan reservoir to be signed with consumers. The main points of these restrictions are as follows:

1. Agreements for the supply of natural gas to be signed after the date of the Government Decision will comply with the following provisions:

a) No limits will apply to consumers regarding the purchase of natural gas from any other natural gas supplier.

b) Consumers may resell the natural gas that they purchased pursuant to the terms and provisions set out in the Exemption.

c) The parties may not impose any limit on the selling price at which the consumer may resell the natural gas.

2. With respect to agreements signed from the date of the government resolution until the end of 4 years from the Commissioner of Petroleum Affairs' approval for the transfer of the Karish and Tanin Interests (meaning December 13, 2020), the rights holders in the Tamar reservoir will be required to offer to every consumer the option for purchasing gas under an agreement for any term they choose up to 8 years or a longer term to be agreed between the parties and the consumer.

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[65] As aforesaid, on December 26, 2016, a transaction for the transaction was completed for the sale of all the interests of the Partnership, Avner and Noble, in the Tanin and Karish leases to Energean Israel.

3. With regard to any gas supply agreement for a term exceeding 8 years signed until June 13, 2017 (6 months after the date of the Commissioner of Petroleum Affairs' approval for the rights transfer in Karish and Tanin), the consumer will have a unilateral and unconditional right to notify a reduction in the quantity of gas set in the take or pay contingency to a quantity equivalent to half of the actual average annual consumption of that consumer in the 3 years preceding the notice date. Such reduction of the purchase quantity will be possible any time during the period ended at the beginning of the sixth year from the date of natural gas supply to the customer in Leviathan.

(4) Provisions regarding the natural gas prices in supply contracts to consumers

The Gas Framework included provisions regarding the price the Partnership must offer gas consumers from the date of the government resolution, August 16, 2015, until conclusion of the transfer of rights of the Partnership, Avner and Chevron in the Karish and Tanin leases or in the Tamar lease in accordance with the provisions of the framework, whichever is later. This period ended upon conclusion of the sale of the Partnership's rights in the Tamar lease in December 2021. It should be noted that according to the provisions of the Gas Framework regarding taxation and the tax decision issued in connection with gas export agreements from the Leviathan and Tamar reservoirs, the Partnership offered new customers in Israel the price terms set in such export agreements, as set out in the taxation chapter of the framework. For further information, see subsection (f) below and the description of the export agreements in Section 1.7.12D above.

(5) Provisions concerning the export of natural gas

The Gas Framework included several clarifications and amendments to Government Decision 442 of June 23, 2013, with regard to adoption of the main recommendations of the committee for examining government policy regarding Israel's natural gas sector and its future development (the Tzemach Commission Report).

(6) Taxation

Under the Government Decision, the Tax Authority notice was issued regulating various tax issues regarding the operations in the Tamar and Leviathan reservoirs. The Government also decided to take measures to promote amendments to the Petroleum Profits Law aimed, among other things, at closing loopholes, providing various clarifications and assessment and collection procedures. In addition, it states that the price per unit of oil in the export agreement will be taxed according to the actual receipt from the export agreement and not according to the "local average price" for the same type of oil, as defined in the Natural Resources Profits Tax Law, and that there will be no need to annually review the receipts from the export agreement, subject to prior receipt of the Tax Authority approval that the price per unit of oil set in the export agreement is not lower than the "average local price" or alternatively that the holder of the export agreement undertakes to offer the price set in the foregoing export agreement to new customers in Israel, in the manner and at the terms as set out in the Gas Framework. It is noted that the Tax Authority's approvals as aforesaid were received by the Partnership in relation to all of the export agreements in which the Partnership has engaged

(7) Regulatory Environment Encouraging Investments

Under the Gas Framework, The Government of Israel undertook to maintain regulatory stability in the natural gas exploration and production segment on three issues: (a) the maximum government take, (b) export and (c) the structural changes contained in the Government Decision, and this for a period of 10 years from date of the Government Decision.

Following the government decision and the granting of the Exemption, several petitions were filed with the High Court of Justice. On March 27, 2016, the High Court of Justice handed a ruling on these petitions stating, among other things, that the wording of the stability clause in the Gas Outline Plan (the government's undertaking to restrict future changes in the regulation of the natural gas sector) cannot remain and the State was given one year to regulate the issue of stability in the Gas Framework.

On May 22, 2016, the government again adopted the decision of August 16, 2015, regarding the Framework, setting an alternative arrangement to Section J of the Framework for a "stable regulatory environment", to ensure a regulatory environment that encourages investments in natural gas exploration and production.

1.7.25. Economic Competition Laws

(A) The Partnership's status as a monopoly

On November 13, 2012, the Partnership was declared a monopoly - together with the other Tamar Project partners and separately - in the supply of natural gas in Israel, from the commencement of

commercial supply from the Tamar Project. Since on the date of approval of the Report, the Partnership engages in joint marketing of gas produced in the Leviathan project together with Chevron (that was declared a monopoly), the Partnership might be considered a monopoly in connection with natural gas supply in Israel even though, in December 2021, it completed the sale of its remaining rights in the Tamar and Dalit leases.

A monopoly is subject to Chapter D of the Economic Competition Law, including prohibiting refusal, under unreasonable grounds, of the asset or service of the monopoly, and barring exploitation of its market power in a manner that could reduce business competition or cause public harm.

(B) Price controls on natural gas

The Commodity and Service Price Control Order (Application of the Law on Natural Gas and Level of Control) 2013 (hereinafter - the "Commodity and Service Price Control Order") applies control on the gas sector with regard to reporting profit margins and prices. The foregoing duty of reporting applies separately regarding each project. Beyond the price and profitability reporting obligation, as at the approval date of the Report, no control has been imposed on the prices of gas marketed in Israel.

(C) Competition Commissioner's consent to the merger connected to the acquisition of EMG shares

The transaction for the acquisition of EMG shares (hereinafter - "EMG Transaction") by EMED Pipeline B.V (hereinafter - "EMED")[66], under the agreement described in Section 1.7.33(D) below, was subject, among other things, to obtaining approval for the merger, pursuant to Section 20(b) of the Economic Competition Law. On July 31, 2019, the Competition Commissioner issued a decision approving the merger,[67] under the terms and conditions summarized below:

(1) The Partnership, Chevron, EMG and EMED and any related party thereof, as defined in the decision (hereinafter, jointly - the "Parties") may not refuse a gas swap application and will supply natural gas to a customer in Israel that has signed a natural gas supply agreement with a natural gas supplier in Egypt, of such volume and quality that will be no less than the quality that the natural gas supplier in Egypt committed vis-à-vis the customer in Israel (hereinafter - a "Gas Swap Arrangement"), and in this context, they will make every reasonable effort, including by exercising their rights in the Tamar and Leviathan projects to accept such application.

(2) The obligation of the Partnership and the Parties as set out in Section 1 above is for up to the gas volumes set out in the take-or-pay conditions signed by the Leviathan partners or any one of them and the Tamar partners or any one of them, in respect of which there are transmission agreements via the EMG pipeline.

(3) For natural gas that will be swapped under the Gas Swap Arrangement, EMG will not charge an Egyptian supplier an amount exceeding half of the transmission fees in the pipeline.

(4) The parties will not refuse to provide transmission services in the pipeline to another party seeking transmission services in the pipeline up to the capacity available.

(5) Notwithstanding the foregoing, the duty to provide transmission services will not apply in any of the following cases: (a) the Other Entity refused to sign a transmission agreement with the Parties, despite the verification of the Director General of the Natural Gas Authority that the transmission agreement contains no conditions that are unnecessarily burdensome on the Other Entity; and (b) the Other Entity refused to meet conditions required by the Director General of the Natural Gas Authority with respect to such transmission agreement.

(6) EMED will not exercise the option granted to it to extend the capacity and operation agreement (described in Section 1.7.37(D) below) for a further 10 years without receiving a permit in advance from the Competition Commissioner.

(D) On June 6, 2021, a letter was received from the Competition Authority, setting out the Authority's position that "the exclusivity clause" included in the natural gas supply agreement signed between the Leviathan partners and IEC constitutes a violation of the provision of the Gas Framework according to which sale agreements from the Leviathan reservoir will not impose limits on consumers in respect of the purchase of natural gas from any other natural gas supplier. As a result, the

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66 EMED is a special purpose company founded for the purpose of the EMG Transaction registered in the Netherlands, whose shares are held as follows: EMED Pipeline Holding Limited, a wholly-owned subsidiary of the Partnership registered in Cyprus - 25%; Chevron Cyprus Limited - 25%; and Sphinx EG BV, a wholly-owned subsidiary of S.A.E East Gas Company, which holds, among other things, a gas pipeline and infrastructure in Egypt - 50%.

67 https://www.gov.il/BlobFolder/legalinfo/decisions037056/he/decisions_037056.pdf.

Leviathan partners were required to cancel the said clause immediately, without this exhausting the handling of such violation or affecting the powers of the Competition Commissioner with respect to such violation. The Leviathan partners believe that it is not an exclusivity clause, that their actions in connection with said agreement did not contradict the provisions of the Gas Framework, and it disputed the authority of the Competition Authority in this matter. However, on June 10, 2021, the Leviathan Partners notified the Israel Competition Authority of their agreement to repeal the said clause; 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. It should be noted that the agreement signed between the Leviathan partners and IEC that included the said clause ended on June 30, 2021.

1.7.26. The Law to Promote Competition and Reduce Concentration, 2013 (hereinafter - the "Market Concentration Law");

For further information see Section 1.17.1 below.

1.7.27. The Petroleum Law and pursuant regulations

(A) The Petroleum Law

Exploration, development and production of oil and/or natural gas (hereinafter in this section - "Petroleum") in Israel are regulated mainly under the Petroleum Law and its amendments and the regulations promulgated thereunder (hereinafter in this section - the "Law"), the main points of which are as follows:

(1) The Law provides, inter alia, that a person may not explore for oil unless under a preliminary permit, license or lease (as defined in the Law) and a person may not produce oil unless under a license or lease.

(2) Preliminary testing - that does not include test drilling - in any area, to ascertain the prospects for discovering oil in such area, including conducting of seismic surveys, is subject to obtaining a preliminary license. The Law permits priority rights to be granted to the holder of the preliminary rights for petroleum interests in the area for which the preliminary permit was granted, if such holder undertakes to conduct preliminary tests and invest in oil exploration as will be decided by the competent representatives of the State in this matter.

(3) A License grants the licensee, subject to the provisions of the Law and the terms and conditions of the license, mainly the right to explore for oil in the area of the license according to a plan submitted to the Commissioner of Petroleum Affairs in accordance with the Law, and the exclusive right to conduct appraisal and development drillings in the license area and to recover oil from it. In general, a license will be granted for an initial period of 3 years and may be extended, in accordance with the conditions provided under the Law, for an additional period that will not exceed 4 years.

(4) If a license holder discovers oil, it is entitled to an extension of the license period for a further sufficient period for defining the boundaries of the oil field, but no longer than two years, and the license holder is entitled to receive a lease on a certain area within the license area, which grants it exclusivity to explore and to produce oil in the area of the lease all the while it is valid. The lease is given for a period of up to 30 years from the date it is issued, but if a lease is given pursuant to a license that was extended after a discovery in the license area, the term of the license will commence from the date of termination of the original license, prior to extension. A lease may be extended, pursuant to the provisions of the Law, for an additional period of up to 20 years. A lease may expire following suitable prior notice given by the Minister of Energy, if the lease holder fails to produce or ceases to produce commercial volumes of oil.

(5) The Law requires, a lease holder to pay royalties to the State at a rate of one eighth of the quantity of oil and/or natural gas produced from and used in the lease area (excluding the quantity of oil and/or natural gas used by the lease holder in operating the lease area), and in any case no less than the minimum royalty set in the Law.

(6) A lease may expire following suitable prior notice given by the Minister of Energy, if the lease holder fails to produce or ceases to produce commercial volumes of oil.

(7) The Law provides that the Petroleum Commissioner may rescind the petroleum rights or drilling rights if the owner of the rights fails to comply with any of the provisions of the Law or the terms of the petroleum rights or the preliminary permit, or does not act according to the work plan that it submitted or was late in execution or did not invest the amounts it committed to invest in oil exploration, and

this despite a written warning issued to the holder of the petroleum rights or preliminary permit 60 days earlier.

(8) The Petroleum Commissioner will maintain a Petroleum Register that will be available for public review (hereinafter - the “Petroleum Register"). The Petroleum Register will contain records of every application, grant, extension, amendment or expiry and transfers of petroleum rights, or pledges on the petroleum rights or on the benefit therein or of granting of a deed of lease. Such transactions will not be valid unless so recorded.

(9) The Law provides that no single person may hold more than 12 licenses, and may not hold licenses for a total area exceeding 4 million dunam, other than with prior approval of the Petroleum Council.

(10) According to Section 76 to the Petroleum Law, a preliminary permit, license and lease are personal and neither they nor any benefit therein may be pledged or transferred in any manner – other than through inheritance – other than with the Petroleum Commissioner’s permission, and the Petroleum Commissioner will not permit such pledge or transfer of a license or of a lease other than after consulting with the Petroleum Council.

(11) A holder of a lease may lay pipelines for the transport of oil and oil products. A holder of a lease will not lay an oil pipeline, other than collection pipelines which lead to tanks within the area of and surrounding the wells in the lease area, other than along lines approved by the Petroleum Commissioner. An oil pipeline will be laid according to detailed diagrams in accordance with the Law; which will first require the approval of the Petroleum Commissioner, which will not be unreasonably withheld.

(B) <u>The Petroleum Regulations (Principles for Offshore Petroleum Exploration and Production), 2016 (hereinafter - the “Offshore Regulations")</u>

On November 15, 2016, the Offshore Regulations, which replaced the Petroleum Regulations (Principles for Offshore Petroleum Exploration and Production), 2006, came into effect. The Offshore Regulations prescribe, among other things, proof of the qualifications of an applicant seeking certification to act as operator. Description of the highlights of the Offshore Regulations:

(1) The Petroleum Commissioner will not certify an applicant as an operator unless the following key conditions are met:

A. The operator will be a lease holder holding at least 25% of the Rights in the oil asset.

B. The operator or its controlling shareholder (subject to the conditions in the Offshore Regulations) will have at least 5 years of experience, within the 10 year preceding the filing of the application, in performing the functions of an operator, including: (a) experience in offshore oil or natural gas exploration; (b) experience in offshore drilling; (c) experience in offshore development and production of oil and natural gas; and (d) experience in maintaining health, safety, and environmental protection relating to operations in petroleum interests.

C. Furthermore, the Petroleum Commissioner will not certify a corporation as operator, unless it directly employs qualified employees with at least 5 years of experience in the offshore oil or natural gas exploration sector, and in the offshore oil or natural gas development and production sector, unless the Commissioner decides to certify a corporation as operator despite its noncompliance with the requirement of experience in offshore oil or natural gas development and production, as described below.

D. The Petroleum Commissioner may, based on the stage and nature of the Rights, and in accordance with the scope of demand for obtaining Rights in that area or according to the composition of the entire group, certify a corporation as operator even if it fails to comply with the foregoing requirement of experience in offshore oil or natural gas development and production.

E. The Petroleum Commissioner may require a certain corporation, for the purpose of certifying as operator, greater experience than that prescribed, if the Commissioner finds it necessary based on the stage and nature of the Rights, and taking under consideration the work plan, its complexity and environmental and safety aspects.

F. The Commissioner will not certify a corporation as an operator unless it has sufficient financial capacity and financial strength. For this purpose, an operator or its controlling shareholder (subject to the conditions set in the Offshore Regulations) is considered to be financially sound (as defined in the Offshore Regulations) and to have financial capacity that is deemed sufficient if the total assets in its balance sheet amount to at least USD 200 million and the total equity in its balance sheet amounts to USD 50 million.

(2) The applicant for a petroleum interest must prove appropriate financial capacity by complying with both of the following:

A. The total assets in the balance sheet of the applicant (or of all joint holders of the petroleum interest, including a member of the group approved as the operator with respect to the petroleum interest) amounts to at least USD 400 million.

B. The total equity in the balance sheet of the applicant (or of all joint holders of the petroleum interest, including a member of the group approved as the operator with respect to the petroleum interest) amounts to at least USD 100 million.

An applicant for a petroleum interest may rely on its controlling shareholder in order to prove financial capacity, subject to the conditions prescribed by the Offshore Regulations.

The foregoing financial capacity, financial robustness, total assets and total equity will be reviewed according to the figures in the audited financial statements as of December 31 of the year preceding the application, or according to an average of the figures in the audited financial statements as of December 31 of the two years preceding the application, according to the discretion of the Petroleum Commissioner.

C. The Petroleum Commissioner may, with approval from the Minister of Energy, withhold approval of an application to receive a petroleum interest or an application to serve as an operator, even if all the foregoing conditions are met, if he is convinced that reasons of national security, foreign relations and international trade relations so justify, or if there are special circumstances due to which approval of the application is not in the best interests of the public or the energy sector in Israel.

D. Notwithstanding the foregoing provisions, an operator may be certified or a petroleum interest may be granted even if not all of the terms and conditions that appear above are fulfilled, provided that under the circumstances the failure to meet the conditions is immaterial and the Commissioner was convinced that there are special grounds which justify so doing.

E. The Offshore Regulations include additional provisions concerning the information to be included in the application for certification of an operator and reports that an operator and a holder of a petroleum interest are required to submit to the Petroleum Commissioner.

(C) <u>Petroleum Law Legislative Memorandum (Amendment no. 7) (Regulation of Specific Export Pipelines and Liquefaction Facilities), 2020</u>

On August 9, 2020, The Ministry of Energy published the Petroleum Law Legislative Memorandum (Amendment No. 7) (Regulation of Specific Export Pipelines and Liquefaction Facilities), 2020. (hereinafter in this section - the “Memorandum”). The purpose of the Memorandum is to regulate the establishment of pipelines and facilities for the export of natural gas, including by entities that are not lease holders pursuant to the Petroleum Law. As at the date of approval of the Report, this matter is regulated under Section 10A of the Natural Gas Sector Law described below. The purpose of the Memorandum is, inter alia, to replace the regulation set out in the Natural Gas Sector Law. The Memorandum further proposes to regulate the establishment and operation of an offshore natural gas liquefaction facility, the purpose of which is to transform the state of the natural gas from gas to liquid, to allow the export of liquefied natural gas.

Furthermore, the proposed amendment to the Petroleum Law requires an indirect amendment to the Natural Gas Sector Law for adapting the Natural Gas Sector Law to the proposed amendments to the Petroleum Law.

1.7.28. Natural Gas Sector Law and Regulations promulgated thereunder

(A) The Natural Gas Sector Law and the regulations thereunder set out provisions with regard to the establishment of a system for the transmission, marketing and supply of natural gas. The Natural Gas Sector Law provides, inter alia, that:

(1) The following activities may not be undertaken without a license issued by the Minister of Energy (hereinafter in this section - the “Minister”) and in accordance with its terms and conditions:

A. the establishment and operation of a transmission pipeline or part thereof.

B. the establishment and operation of a distribution network or part thereof.

C. the establishment and operation of an LNG facility (hereinafter - “LNG License”).

D. the establishment and operation of a storage facility.

E. the establishment and operation of a pipeline for export by anyone that is not a holder of a lease.

(2) A transmission license will only be granted to a company established in Israel under the Companies Law.

(3) The holder of a transmission license or a power provider may not deal in the sale or marketing of natural gas, nor may a controlling shareholder or an affiliate of any of them.

(4) The sale and marketing of natural gas does not require a license, however the Minister has the discretion under certain conditions as set out in the Natural Gas Sector Law, to determine, with the agreement of the Minister of Finance and upon approval of the Knesset's Economic Affairs Committee, that for a certain determined term, the marketing of natural gas will be subject to a license.

The Natural Gas Sector Law sets out further provisions, including conditions for granting the licenses, granting of powers to the Minister, the Natural Gas Authority (appointed pursuant to Section 63 of the Natural Gas Sector Law) and the Director General of the Authority regarding the granting of licenses and setting out various conditions and restrictions that will apply with respect to licenses or the licensee, and granting them powers to establish provisions regarding natural gas suppliers, provisions regarding revocation of licenses, the guarantees required from a licensee, etc.

It should be noted that pursuant to the provisions of the Natural Gas Sector Law, a transmission license was granted to Leviathan Transmission System Ltd. for the purpose of transmitting the gas from the Leviathan project production platform to the northern entry point of INGL's national transmission system.

The Economic Plan (Legislative Amendments for Implementation of Economic Policy to Change the 2021 and 2022 Budget) Law, 2021 passed by the Knesset on November 4, 2021, expands the definition of the term "tariffs" in the Natural Gas Sector Law, so as to include not only payments by consumers for the services they receive, but any payment imposed on any of the players in the natural gas sector, including natural gas suppliers, in favor of another licensee and for any purpose, including development of the gas sector, backup 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. This amendment may enable the imposition of charges on natural gas suppliers pursuant to the law.

It is further noted that, to the best of the Partnership's knowledge, on February 24, 2022, Government Resolution No. 1158 as passed, dealing with the Natural Gas Sector Bill (Amendment No...), 2022 (hereinafter in this section - the "Bill"), proposing, among other things, an amendment to the "emergency" provisions and regulating sub-trading in natural gas by entities that are not gas suppliers. As at the approval date of the Report, the Bill has not yet been published for public comment, and accordingly, not yet published in the Official Gazette.

(B) Natural Gas Sector Regulations (Management of the Natural Gas Sector during an Emergency), 2017 (hereinafter - the "**Emergency Regulatio**ns")

The Emergency Regulations are promulgated under Section 91 of the Natural Gas Sector Law authorizing the Minister of Energy, with the government's approval, to announce a natural gas sector emergency and to legislate regulations applicable for the management of the natural gas sector during emergencies.

In the even that the Minister of Energy declares an emergency in the natural gas sector, the Emergency Regulations stipulate that if the demand at any time exceeds the maximum quantity that a natural gas supplier is able to supply from the field due to which the declaration was made (hereinafter - the "Failed Gas Supplier"), the gas supplier and transmission licensee are obligated to allocate natural gas and LNG to consumers according to the provisions of the regulations. The regulations authorize the Minister of Energy, under certain conditions, to deviate from the provisions of the regulations and order a different allocation of gas and LNG quantities, provided that the deviation does not exceed the requirements.

The regulations stipulate that they do not derogate from the remedies to whomever signed an agreement with the Failed Gas Supplier under the said agreement.

To the best of the Partnership's knowledge, as at the approval date of the Report, the Ministry of Energy is promoting an amendment to the wording of the Emergency Regulations.

(C) Natural Gas Sector Regulations (Information Disclosure Obligation of a Natural Gas Seller and Distributor), 2022 (hereinafter in this section - the "**Regulations**")

On February 7, 2022, the Regulations were published in the Official Gazette, according to which anyone engaged in the sale or marketing of natural gas will be obligated to provide the Director

General of the Natural Gas Authority with quarterly reports containing information about the natural gas quantities sold or marketed each month, the prices agreed upon in each natural gas supply agreement, the total revenue of the seller or distributor from the sale of natural gas to consumers in the Israeli market, copies of agreements signed and other details.The Regulations will come into force within 30 days (i.e. on April 6 2022).

(D) Regulation of criteria and rates for operating the transmission pipeline system according to a flow control regime

(1) On January 3, 2021, the Natural Gas Authority Council released an amendment to the Council's decision regarding criteria and rates for operating the transmission system in a flow control regime, Decision No. 5/2020 (Amendment No. 2)[68] (hereinafter in this section - the "Decision"). The Decision provides that the costs for the unaccounted for gas (UFG) in the gas transmission system due to reasons that cannot be attributed to malfunction of the gas transmission system, but to factors that cannot be prevented or controlled, such as timing of measurement, pressure differences and temperature differences, will be borne by the gas suppliers. The Decision further stipulates that a reasonable UFG is in the range of 0%-0.5% (plus or minus). Costs incurred for reasonable UFG will be divided equally between the gas suppliers and the gas consumers. The Decision took effect as of April 1, 2021.

After the release of the Decision, INGL sent Chevron a demand to apply the Decision retroactively from the beginning of 2020 with respect to the Leviathan Project, and forwarded, for the review by Chevron, a notice in this regard that it sent to its customers. Further to the foregoing notice, Chevron wrote to the Gas Authority and expressed its objection to the retroactive application of the Decision, without derogating from its arguments against the Decision itself.

For information about a petition filed by the Partnership together with the other Tamar and Leviathan partners against the Natural Gas Council and the Ministry of Energy seeking to order annulment of the Decision dated April 7, 2021, see Section 1.7.34(M) below.

(2) For information about expansion of the definition of the term "tariffs" in the Natural Gas Sector Law, allowing the imposition of charges on natural gas suppliers pursuant to the Natural Gas Sector Law, see this section above.

(E) The Natural Gas Authority Council decisions regarding funding of export projects via the national pipeline (hereinafter in this section - the "**Decision**")

The Natural Gas Authority Council adopted several decisions regarding the transmission tariffs that will apply with respect to the export of natural gas through the national transmission system and in connection with financing of the construction of sections of the transmission system intended to be used to export natural gas by the gas exporters.

On June 23, 2020 the Director General of the Natural Gas Authority announced that he determined that the cost of the Ashdod-Ashkelon Combined Section designed for the purpose of transmitting natural gas from the Leviathan and Tamar reservoirs to the EMG receiving station in Ashkelon for the transmission of the gas to Egypt under the export agreements (above and hereinafter - the "Combined Section") was estimated at a total of NIS 738 million and will be revised based on an update and accounting mechanism between the parties, as set out in the transmission agreement with INGL.

According to the Director General of the Natural Gas Authority's announcement, 43.5% of the cost of the section, as shall be determined according to the foregoing, will be financed by the transmission licensee (INGL) and 56.5% will be financed by the exporter, based on milestones to be set in the transmission agreement. In addition, the exporter will pay the transmission licensee NIS 27 million for its share of the costs of bringing forward doubling the Dor-Hagit and Sorek-Nesher sections (which is estimated at NIS 48 million) and the exporter will provide the transmission licensee with an independent financial guarantee on behalf of an Israeli bank, for 110% of the aggregate amount of the above cost (the transmission licensee's share of the construction cost of the Combined Section plus ten percent), and an amount of NIS 21 million, which will decrease in accordance with the provisions of the addendum to the Decision.

The Director General's notice also stipulates that as long as the exporter exports to Egypt, the natural gas quantity set in the transmission agreement will be transmitted through the transmission licensee's transmission system and not through a section outside the Israeli transmission system,

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[68] Decision No. 5/2020 amends Decision No. 4/2020 of the Natural Gas Authority Council dated May 27, 2020, which amended the Council's Decision No. 8/2019.

and that if the exporter discontinues export to Egypt, it will be required to pay the transmission licensee the difference, if any, between 110% of the total cumulative cost plus NIS 48 million (the cost for bringing forward doubling of the Dor-Hagit and Sorek-Nesher sections) and the cumulative transmission and capacity fees paid by the importer to the transmission licensee from completion of the Combined Section plus the payments made by the exporter to the licensee according to the foregoing.

For information about the transmission agreement signed between Chevron and INGL in connection with natural gas export to Egypt, see Section **Error! Reference source not found.** above.

1.7.29. Regulation of Security in Public Entities Law, 1998 (hereinafter in this section - the "Law")

(A) The Law imposes various duties on a public entity (as defined by the Law), including: (a) the appointment of a security officer, who will report directly to the general manager of the entity, to ensure the required level of security for the operations of the public entity; (b) appointment of an officer responsible for the security of essential computer systems; (c) appointment of a security guard in accordance with the requirements of an authorized officer.

(B) According to the Sixth Schedule to the Law, the holder of a license pursuant to the Natural Gas Sector Law that owns or operates an offshore facility is considered a public body with respect to imposition of the obligations set out in the Law, including having the offshore security measures necessary to safeguard the security of a person or to protect the property, structure or location of a public entity located offshore in the maritime zone, as well as actions required to prevent harm to any of them. The definition in the Law of an offshore facility includes, among other things, a facility or vessel used for conducting an oil discovery survey or drilling production wells, transmission, liquefaction or regasification of oil or treatment, storage or transport of oil, and therefore, applies to the offshore production facilities of the Leviathan project. Accordingly, the provisions of the Sixth Schedule to the Law apply to the Leviathan Transmission System, which holds a transmission license from the Leviathan project.

(C) In addition to the offshore facilities, the provisions of the Sixth Schedule to the Law, also apply to an operator of an onshore processing facility of natural gas received by pipeline from the sea or a foreign country, under license or by law, and therefore, the provisions of the Law apply to the Hagit site facilities. An operator of an onshore facility is required to carry out physical security and information security measures.

(D) Under the Law, the Partnership and other Leviathan partners are responsible, inter alia, for the security of the essential automated systems in the reservoir's facilities, in accordance with the guidelines of the Israel National Cyber Directorate (hereinafter - "INCD"). Since the operator is responsible for operating the production system of the reservoir, it is the one which actually implements the instructions of the INCD on this matter. As the Partnership was notified and to the best of its knowledge, in January 2020, the operator received confirmation from the INCD with respect to full compliance of the Leviathan Reservoir with the security requirements.

(E) As at report's approval date, and as the Partnership was informed by the operator in December 2021, with respect to the operation of the Leviathan Reservoir, the operator is in compliance with the provisions of the Regulation of Security in Public Bodies Law and the sections concerning the security arrangements in the lease deed, including the instructions on security matters issued by the professional officers in the navy pursuant to law.

1.7.30. The Memorandum on the Gas Law (Safety and Licensing) (Amendment No...) (Various Amendment), 2021

On August 18 2021 the Memorandum on the Gas Law (Safety and Licensing) (Amendment No...) (Various Amendments), 2021 (hereinafter - the "Safety and Licensing Law Memorandum")[69] was published for public scrutiny, which proposes changes to the existing safety regulation in the natural gas sector, by introducing amendments both to the Gas Law (Safety and Licensing), 1989, which regulates safety issues in the gas sector and confers the power to set safety rules and regulations for gas facilities and for those engaged in the natural gas sector, and to the Natural Gas Market Law.

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69 https://www.tazkirim.gov.il/s/law-item/a093Y00001RdkpCQAR/%D7%AA%D7%96%D7%9B%D7%99%D7%A8-%D7%97%D7%95%D7%A7-%D7%94%D7%92%D7%96-%D7%91%D7%98%D7%99%D7%97%D7%95%D7%AA-%D7%95%D7%A8%D7%99%D7%A9%D7%95%D7%99-%D7%AA%D7%99%D7%A7%D7%95%D7%9F-%D7%9E%D7%A1-%D7%9E%D7%99%D7%AA%D7%A7%D7%A0%D7%99-%D7%92%D7%96-%D7%98%D7%91%D7%A2%D7%99-%D7%9C%D7%A9%D7%99%D7%9E%D7%95%D7%A9-%D7%91%D7%99%D7%AA%D7%99-%D7%94%D7%AA%D7%A9%D7%A4%D7%90?language=iw

1.7.31. The Petroleum Commissioner's directives

(A) Collateral provided with respect to petroleum rights

Pursuant to Section 57 of the Petroleum Law, the Commissioner of Petroleum Affairs issued guidelines for provision of collateral for oil rights, which are revised from time to time (hereinafter in this section - the "Guidelines"). The Guidelines set out, among other things, provisions regarding guarantees to be deposited by new license applicants when filing the application and before carrying out the drilling, and grant extensive discretion to the Commissioner of Petroleum Affairs in this regard. In addition, according to the guidance, the guarantees will remain valid also after the right for which they were given terminates, until the Commissioner advises otherwise, but no longer than 7 years after the right for which they had been provided expires.

The Guidelines also stipulate that the Commissioner of Petroleum Affairs may order forfeiture of the guarantees or any part thereof, if in his opinion, the holder of the oil right failed to act with due caution with regard to the oil right or caused damage by actions due to the oil right or failed to expend such expenses or comply with such obligations with respect to such expenses or obligations under the Petroleum Law, and in accordance with the Commissioner's order, during the rights period.

The Guidelines also require the holder of oil rights to purchase and maintain, at its expense and throughout the entire term of the oil right, all insurances customary among international oil or gas exploration or production companies, and to issue orders in this regard.

If the directives are breached, the Petroleum Commissioner may view the foregoing as non-compliance with the work plan and with the provisions of the lease and may act in accordance with the provisions of the Petroleum Law.

As of the report's approval date, pursuant to these directives and the terms and conditions of the Partnership's oil assets, the Partnership, together with its partners in the various projects, has deposited autonomous bank guarantees for the Ashkelon, Noa, Leviathan North and Leviathan South, and for the Alon D, Ofek Hadash and Yahel Hadash licenses.[70] The Partnership's total share in the foregoing collateral amounts to USD 57 million.

(B) <u>Directives for method of calculation of the royalty value at wellhead</u>

(1) In May 2020, the Director of Natural Resources at the Ministry of Energy released the directives for the calculation of the royalty value at the wellhead in accordance with Section 32(b) of the Petroleum Law (hereinafter in this section - the "Directives").

The Directives state that the value of the royalty at wellhead will be equivalent to 12.5% of the sale price to customers at the point of sale, net of essential costs for treatment, processing and transportation of the petroleum, actually incurred by the lease holder between the wellhead and the point of sale.

The expenses to be recognized for the purpose of calculating the value of royalty at wellhead are expenses actually incurred by the lease holder, from the wellhead to the point of sale, as specified below, provided that the Commissioner deems them necessary for the oil to be marketable: (a) the following capital expenses (capex): (1) costs for the treatment and processing of the petroleum; and (2) costs of pipeline transportation of the petroleum up to the first point of connection to the national pipeline system; and (b) operating expenses (opex) arising directly from the types of capital expenses.

The Petroleum Commissioner will determine for each leaseholder, from time to time, specific directives for each lease, specifying the deductible expenses for calculating the royalty, according to the specific characteristics of the lease. The Directives set out additional provisions, including a breakdown of the types of expenses that will not be recognized, the method of recognizing decommissioning costs, and the method for addressing transactions that are affected by the existence of special relationships between the parties to the transaction.

As of the date of approval of the Report, specific directives are yet to be received from the Petroleum Commissioner with respect to the method for calculation of the State's royalties from the Leviathan reservoir.

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[70] For further information concerning additional guarantees provided by the Partnership together with its partners in the Tamar Project, see Sections 1.7.1(A) above and below, and with regard to additional guarantees provided by the Partnership together with its partners in the Leviathan Project, see Section 1.7.4(B)(14) above. For information concerning the guarantees provided by the Partnership with regard to the Tamar and Leviathan projects, see Note 12O2 to the Financial Statements below (Chapter C to this Report).

For information about the dispute between the Tamar partners and the Ministry of Energy regarding the method of calculation of the royalty value at wellhead, see Section 1.7.37(G)(4) below.

(C) Transfer and pledge of oil asset rights and benefits in oil asset rights

On December 28, 2020, the Commissioner of Petroleum Affairs issued a new version of the directives regarding Section 76 of the Petroleum Law, setting out provisions and conditions for transferring and pledging oil interests (preliminary permit, license and lease) and benefits (including rights to contractual royalties) in an oil interest. (hereinafter in this section - the "Directives").

According to the Directives, the requirement to obtain the Commissioner's approval for transferring and pledging oil interests and benefits in an oil interest apply in certain cases also to the transfer or allocation of means of control of a company (as defined in the Directives).

The Directives set forth conditions for granting the Commissioner's approval to transfer rights, while distinguishing between the transfer of rights in a license and lease and other actions, including conditions regarding the solvency of the applicant and compliance with the conditions required of an operator pursuant to the requirements of the Petroleum Law and the Commissioner of Petroleum Affairs' orders. The Directives also set out specific conditions regarding the transfer of royalty rights, pledge of oil interests and other specific cases.

As for the pledging of the oil rights, it is clarified that permission to pledge does not constitute permission to transfer the pledged right, and if the conditions for exercising the pledge are met, the license or lease or any part thereof or benefit in the license or lease, as the case may be, will not be transferred to the pledge holder or any other body, unless the Petroleum Commissioner allows the transfer to the transferee in advance and in writing, pursuant to the Directives. In addition, the appointment of a receiver for the pledged rights will not be subject to the rules applicable to the transfer thereof, provided that the Petroleum Commissioner agreed in advance and in writing to the identity of the receiver and the powers provided to him.

The Petroleum Commissioner may not approve a transfer, even if all the condition for providing the approval which are set in these Directives are met, if he is convinced that reasons of public security, national security, foreign relations or international trade relations so justify, and in this context, in the case the transferee is a corporation controlled by a foreign country or there are other special circumstance with respect to which the transfer is not in the best interests of the public or the energy sector in Israel.

(D) Application for approval of export

The guidelines issued by the Commissioner of Petroleum Affairs concerning obtaining of a natural gas export permit set out, among other things, the date and method for filing of such application. As of the date of approval of this Report, approvals were received for export agreements signed by the Partnership, as set out in Section 1.1.1(A) above.

1.7.32. Government decision concerning the export of natural gas

(A) Further to the conclusions of the Committee for Examination of Government Policy on the Natural Gas Sector in Israel adopted by the Israeli government in June 2013 (hereinafter - the "Tzemach Committee"), on January 6, 2019 the Israeli government adopted the main recommendations of a professional interministerial committee, headed by the Director General of the Ministry of Economy, Udi Adiri, that reexamined the matter of supply and demand of natural gas as at 2018 (hereinafter in this section - the "Government Resolution").

(B) According to the Government Resolution, the volume of natural gas that must be guaranteed in favor of the domestic market will be 500 BCM (hereinafter - the "Minimum Quantity for the Domestic Market"), which will allow the supply of natural gas for domestic consumption the next 25 years. In this matter, the "volume of natural gas" signifies the cumulative volume of natural gas as per the 2P and 2C PRMS categories for discoveries recognized by the Commissioner of Petroleum Affairs, for which leases were granted and the connection of the leases to the shore was completed in accordance with the development plan, allowing supply to the Israeli market.

(C) Obligation to supply the Minimum Volume to the Local Market, with regard to discoveries that were recognized subsequent to the Government Decision, will be as follows:

Volume of Natural Gas in the Reservoir	Minimum rate of supply to the domestic market out of the volume of natural gas in the reservoir
More than 200 BCM (inclusive)	50%
Equivalent to or exceeding 100 BCM, but less than 200 BCM	40%
Equivalent to or exceeding 25 BCM, but less than 100 BCM	25%
Less than 25 BCM	To be fixed by the Commissioner of Petroleum

Obligation to supply the Minimum Volume to the Local Market, with regard to discoveries that will be recognized subsequent to the Government Decision, will be as follows:

Volume of Natural Gas in the Reservoir	Minimum rate of supply to the domestic market out of the volume of natural gas in the reservoir
For each additional 1 BCM and more exceeding 200 BCM	55%
For each additional 1 BCM and more exceeding 50 BCM to 200 BCM	50%
Less than 50 BCM	There will be no obligation to supply to the local market

It should be noted that, in the matter of reservoirs shared by Israel and other countries, the Commissioner of Petroleum will set the specific conditions and arrangements.[71] It was also determined that the export facilities will be located in an area under Israeli control located in its exclusive economic zone, unless otherwise provided in a bilateral agreement between Israel and another country.

(D) Export of natural gas is subject to approval by the Commissioner of Petroleum Affairs,[72] and the volume of gas that may be exported will be based on the pro rata share of the permitted export volumes in the reservoirs at the same time, subject to ensuring the Minimum Amount for the Local Market, as aforesaid.

(E) The Government Decision also sets out provisions regarding the obligation to connect reservoirs to the domestic market according to the size of the reservoir, provisions regarding the sale of natural gas to consumers on the domestic market intended for the manufacture of downstream products designated mainly for export, provisions regulating sub-trading in natural gas that may be earmarked for export.

(F) On June 21, 2021, the Ministry of Energy issued for public comment, an interim report of the professional team established for periodic examination of government policy on the natural gas sector in Israel (hereinafter - the "Interim Report")[73], in which the professional team indicated, among other things, that the export policy must be reexamined, particularly with respect to restriction of the quantity reserved for the domestic market (total and minimum supply obligation). The professional team emphasized 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. The Interim Report also indicates that the export regulation in Israel is more burdensome than other countries, and that the working assumption must be that the sale of natural gas is a window of opportunity of 2-2.5 decades, and therefore, the potential of finding additional discoveries must be exhausted as soon as possible.

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71 It should be noted that the permitted export quota from the Karish and Tanin reserves, in a volume of 47 BCM was replaced by the duty to supply the local market as applies to the holders of the Leviathan leases, commencing from the date of approval by the Commissioner of Petroleum Affairs for the transfer of the rights in the Karish and Tanin leases. For further information see Section 1.7.20(A)(2)A.2 below. 1.7.24(A)(2)A.2

72 For details regarding the directives of the Commissioner of Petroleum Affairs relating to submitting applications for approval for the export of natural gas, see Section 1.7.1(D)

73 https://www.gov.il/he/departments/publications/Call_for_bids/ng_210621.

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 to transition to a competitive, low-carbon economy in line with the other OECD member states.

On December 15, 2021, the Minister of Energy issued the Ministry of Energy's policy, according to which, among other things, in 2022, the Ministry will not adopt the conclusions of the Interim Report.[74]

1.7.33. Government resolution regarding reduction of greenhouse gas emissions and promotion of renewable energy

(A) Discontinuing the use of coal for electricity generation

On June 3, 2018, the government adopted Decision No. 3859, Reform in the Electricity Sector and IEC (hereinafter - the "Reform"), according to which IEC will reduce its electricity generation operations by selling five generation sites with maximum capacity of 4,000 megawatt, which constitutes half of its electricity generation capacity, and in addition IEC will build two modern natural gas powered generation units at Orot Rabin, as part of the trend of reducing the use of coal in the electricity generation process. According to the Minister of Energy's decision of November 13, 2019, conversion of the coal-fired power plants in Hadera and Ashkelon to natural gas will be completed by 2025, so that in that year, the era of using coal to generate electricity in Israel is in fact expected to end.

Subsequently, in 2020 and February 2021, the government issued directives to IEC to reduce the use of coal to a volume not exceeding 22.5% of the total electricity generation in 2021.

(B) Plan to save Israel from polluting energy

On October 9, 2018, the Minister of Energy published its plan to save Israel from polluting energy, which primarily deals with the reduction of the use of polluting fuels by 2030, and subsequently, in March 2019, the Ministry of Energy issued a policy paper on the energy sector goals for 2030.[75] The plan set goals for 2030, stipulating concrete measures and timetables for 5 main areas, as follows:

1. The electricity generation sector – a gradual reduction of electricity generation using coal, until the use of coal in the production of electricity at all the coal-fired power plants will be cease completely, and the generation of power will be based on natural gas and renewable energies only.

2. The transportation sector - complete cessation of the use of polluting fuels for land transportation, to be replaced with the use of electric vehicles and vehicles powered by compressed natural gas (CNG). Accordingly, from 2030, a total ban will be imposed on the import of cars that run on polluting fuels. Further to this policy, the Ministry of Energy issued a tender for establishing 2,500 electric car charging stations nation-wide,[76] and in June 2019 it published the list of the winners of the tender. Prior to deployment of the new charging stations, the Ministry of Energy is working on promoting the creation of a map and an app that will include all such stations in Israel. Establishment of the system is expected to be completed by the end of 2022.[77]

3. The industrial sector - to stop the use of fuel oil, liquefied petroleum gas (LPG) and diesel oil, and to replace them with cleaner and more efficient energy sources from 2030. Furthermore, additional advantages are being examined, such as using electricity to replace fuels and supplying compressed natural gas. Accordingly, in 2019 the Ministry of Energy allocated grants to the distributing companies to accelerate deployment of the distribution network.[78]

4. Promotion of energy efficiency through the use of various mechanisms, including mechanisms to encourage reduction of power generation among electricity suppliers, producers and consumers and other license holders in the electricity sector; measures for requiring zero-energy construction; promotion of a model city for smart and efficient energy use; streamlining

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74 Ministry of Energy website, spokesperson announcement dated December 15, 2021: https://www.gov.il/he/departments/news/press_151221.

75 https://www.gov.il/BlobFolder/rfp/target2030/he/energy_2030_final.pdf.

76 https://www.gov.il/he/departments/general/electric_vehicle_ac_dc.

77 https://www.gov.il/he/Departments/General/electric_vehicle_ac_dc.

78 https://www.gov.il/he/departments/news/electric_car_110619.

government agencies in order to reach the 20% target by 2025 and implementing energy rating targets according to actual consumption for existing buildings in Israel.

5. Ensuring energy security in the market by ensuring surplus natural gas supply to the market, in the transportation, industry and electricity sectors.

(C) Government Decision 465 on "Promotion of renewable energy in the electricity sector"

On October 25, 2020, a government decision No. 465 was adopted which deals with the promotion of renewable energy in the electricity sector (hereinafter - "Decision 465"), which, inter alia, adopted the Minister of Energy's policy according to which, by 2030, 30% of electricity production will be from renewable energy based mainly on solar power and partially on wind power; a revision was approved for the interim target, setting it at 20% electricity generation from renewable energies by December 31, 2025, and the policy for promoting conventional power generation facilities was modified. Under Decision 465, a series of decisions were adopted aimed at promoting the use of renewable energy.

(D) On May 4, 2021, the National Planning and Building Council recommended that the government approve the comprehensive national outline plan for infrastructure of the electricity sector (hereinafter - the "NOP 41" or the "Plan"), whose principal goals are to designate areas for renewable energy-fired electricity generation sites, and to create a uniform planning framework for generation and storage of electricity from diverse sources and various technologies.[79] It should be noted that NOP 41 is a comprehensive infrastructure plan that provides a solution to the needs of the national economy for 2030 and 2050, while addressing the energy sources, various generation means, and ensuring capacity redundancy and reliability and integration of energy storage in significant volumes. The Plan implements the Government Decision and lays out principals for planning energy infrastructure. The Plan consolidates the various national zoning plans dealing with electricity, natural gas and fuels, designates areas for renewable power generation sites, and allocates corridors for power transmission and energy infrastructure. It should also be noted that the plan implements Decision 465 on promoting renewable energy in the electricity sector, and outlines the principles for planning energy infrastructure, while it also aims at streamlining the energy sector and reducing, to the extent possible, the effect of energy facilities on the environment and public health.

(E) Energy sector goals for 2050

(1) On April 18, 2021, the Ministry of Energy issued a plan for the energy industry to meet emission-reduction targets for 2050, as part of Israel's and additional countries' efforts to address climate change;[80] these targets call for an 80% reduction in greenhouse gas emissions by 2050, and several secondary targets. These latter targets include a commitment to shut down coal plants by 2025, lower the power generation sector's greenhouse gas emissions by 75%-85% by 2050, and achieve a 1.3% annual improvement in energy intensity (energy consumption per unit of GDP).

(2) On July 25, 2021, under Resolution 171 the Israeli government approved the plan to reduce 85% of greenhouse gas emissions by 2050 and an interim goal that sets a reduction of 27% of greenhouse gas emissions by 2030 (hereinafter - Resolution 171"). 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.[81]

(3) On October 12, 2021, the Ministry of Energy issued a long-term strategic plan for compliance with emission reduction goals in the energy sector by 2050.[82] The plan sets out key courses of action and policies which are derived from the above targets, and covers the electricity, transportation, industry and natural gas sectors and the planning of infrastructures and regional collaborations. Further to the above, on October 29 2021, the office of the Spokesperson of the Israeli Prime Minister's Office published a notice whereby the Prime Minister and the Minister of Energy agreed to increase the target for cutting carbon, such that by 2050 Israel will reach zero carbon emissions.[83]

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79 https://www.gov.il/he/Departments/General/tama_41; https://mavat.iplan.gov.il/SV4/1/99006595

80 https://www.gov.il/he/departments/news/press_180421.

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

82 https://www.gov.il/he/departments/publications/reports/energy_121021?utm_source=InforuMail&utm_medium=email&utm_campaign=%D7%A2%D7%93%D7%9B%D7%95%D7%A0%D7%99%D7%9D+%D7%9E%D7%90%D7%AA%D7%A8+%D7%9E%D7%A9%D7%A8%D7%93+%D7%94%D7%90%D7%A0%D7%A8%D7%92%D7%99%D7%94+%28253%29.

83 https://www.gov.il/he/departments/news/carbon_emissions291021.

(F) Further to Resolution 171, on October 24, 2021, several government resolutions were adopted as follows:

(1) Government Resolution No. 541, which approved the updating of the national plan for energy efficiency and the reduction of greenhouse gas emissions, the key points of which are as follows: (a) To adopt an energy-intensity interim target of 131.7 MWh per NIS 1 million of GDP by 2026; (b) to appoint an inter-ministerial task force headed by the Ministry of Energy for monitoring and control of the implementation of the national energy efficiency plan; (c) to require all government ministries to report to the Ministry of Energy on measures they take to increase energy efficiency and the use of renewable energies; (d) to require the Minister of Energy, the Minister of Environmental Protection and the Minister of Economy and Industry to implement grant schemes and promote innovative projects for energy efficiency and reduction of greenhouse gases emission and reducing the adverse effect on competition in the Israeli industry; and (e) to require the Minister of Energy to promote the preparation and implementation of sustainable energy programs in municipalities.

(2) Government Resolution No. 542, the key points of which are as follows: (a) setting a new target whereby as from 2035 at least 50% of vehicles above 3.5 tons imported into Israel shall be clean or use fuels that reduce 80% of greenhouse gases emissions compared to diesel-powered vehicles; (b) setting-up an inter-ministerial steering team that will monitor the achievement of the resolution's targets, take action to remove barriers to their achievement and recommend changes for promoting the implementation of the resolution's targets; and (c) describing the measures to be taken in order to achieve the targets set in the resolution.

(3) Resolution No. 543, dealing with the acceleration of infrastructure project as part of the fight against climate change, in which it was decided to set-up an inter-ministerial task force headed by the Director General of the Prime Minister's Office, in order to accelerate national infrastructure projects for reducing greenhouse gases emissions and meeting the targets for transition to a low-carbon economy.

(G) Government Resolution No. 286 on Pricing of Greenhouse Gas Emissions

On August 1, 2021, Government Resolution No. 286 was adopted (hereinafter - "Resolution 286"), the main points of which are as follows: (a) to require the Minister of Finance to amend the Excise on Fuel Order and the Customs Tariff and Exemptions and Purchase Tax on Commodities Order, in order to bring about gradual internalization of the external environmental costs of carbon emissions. The taxes relating to natural gas will be imposed gradually starting in 2023, as follows: The amount of the excise and purchase tax on natural gas will be NIS 29 per ton in 2023; NIS 45 per ton in 2024; NIS 65 per ton in 2025; NIS 91 per ton in 2026; NIS 126 per ton in 2027; NIS 170 per ton in 2028, and so on. Furthermore, the resolution sets out a taxation mechanism for all fuels and for mixed waste burial and burning costs; (b) to instruct a team headed by the Budget Department of the Ministry of Finance and the Ministry of Energy, in consultation with the Bank of Israel and the National Insurance Institute, to provide the Director General of the Ministry of Energy with recommendations on mechanisms for encouraging energy efficiency and facilitating the transition to clean energy by disadvantaged groups as a result of the imposition of the said tax, without adversely impacting the tax's underlying incentives for cutting emissions, within 6 months from the date of the publication of Resolution 286; (c) to present to the Government, within 60 days from the date of Resolution 286, with a national multi-annual plan for increasing energy efficiency in the business sector, with an emphasis on industry; and (d) should technological developments be introduced that will make it possible to reduce carbon emissions from source fuels, the Ministry of Energy, the Ministry of Finance and the Ministry of Environmental Protection shall assess the consequences of such technological developments.

On October 13, 2021, the Excise on Fuel (Exemption and Repayment) (Amendment and Temporary Provision) Order, 2021 and the Customs Tariff and Exemptions and Purchase Tax on Commodities (Amendment No. 2 and Temporary Provision No. 3) Order, 2021 were published duly signed by the Finance Minister.[84] According to these orders, the purchase tax and excise applicable for one ton of natural gas will increase as specified in the said government resolution, gradually between 2023 and 2028 from NIS 29 to NIS 170 per ton.

The Partnership believes that Resolution 286 is not expected to have a material impact on the volume of natural gas consumed in Israel, among other things, due to the economic implications of the resolution and that stated in the order regarding the natural gas cost compared to other fuels, with emphasis on the energy consumption forecasts in the coming years.

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[84] https://www.chamber.org.il/media/165396/1965.pdf.

It should be noted that as at the approval date of the Report, the orders have not been approved as required by the Knesset Finance Committee, and therefore they have not come into force.

(H) National plan to prevent and reduce air pollution in Israel

Further to its publications of December 23 2021,[85] in March 2022 the Ministry of Environmental Protection submitted for government approval a multiyear national plan to prevent and reduce air pollution. The plan includes reference to the switch to using green energy, promotion of a low-carbon economy, pricing of greenhouse gas emissions, promotion of clean transportation and goals for reducing air pollution in Israel.[86] According to preliminary assessments, the total benefits arising from the plan amount to NIS 4.7 billion as a result of reducing local air pollutants, and NIS 12.8 billion from reducing GHG by 2030.

(I) The Paris Agreement and PPCA Agreement

In 2016, Israel joined the Paris Agreement, which was summarized during the UN Framework Convention on Climate Change in 2015 and deals with the reduction of greenhouse gas emissions and treatment thereof by countries worldwide. The central commitment of each country signed on the Paris Agreement is to formulate plan every 5 years setting out measures to be taken to deal with climate change.

In addition, in December 2018, Israel joined the PPCA, whose purpose is to encourage the reduction and phasing out of the use of coal. The partners to the initiative undertook to gradually reduce coal-fired electricity generation and to support clean energy in government and corporate policy. The countries and organizations that signed the agreement support reducing the use of coal in OECD countries by 2030 and worldwide by 2050.

1.7.34. National Outline Plan 37/H regarding reception and processing of natural gas

For preparing the planning infrastructure for connecting the natural gas reservoirs to the national pipelines network installing the necessary facilities, approval of the National Council for Planning and Construction (hereinafter in this section - the "National Council") and the Israeli government is required for a detailed partial national outline plan that addresses the reception and treatment of natural gas from the discoveries to the national pipeline network (hereinafter in this section - the "Outline Plan" or "NOP 37/H").

The Outline Plan designates areas (terrestrial and marine) for installing the facilities required for the production and conveying of natural gas, including, inter alia, natural gas reception and treatment stations, a gas pipeline etc. It is noted that the Leviathan Reservoir development plan as set out in Section 1.7.4(B)(10) above, is compatible with NOP 37/H.

1.7.35. Yam Tethys Project and Leviathan Project permits and licenses

(A) As part of the development of the Yam Tethys project, the Yam Tethys Partners received a permit to construct a permanent rig for the production of natural gas and oil as well as a permit for operating a natural gas production system under the Petroleum Law, and the Minister of Energy also granted Yam Tethys Ltd. (a company owned by the Yam Tethys Partners) a license to establish and operate a pipeline system for transmitting the natural gas of the Yam Tethys Partners or of other natural gas suppliers, under certain conditions and subject to the terms of the license and the Natural Gas Sector Law, from the production platform to the reception terminal.

(B) As part of Phase 1A of the Leviathan Project development plan, the Leviathan Partners received a permit for the construction of a permanent natural gas and/or oil production reg and a permit for operating a natural gas and condensate production system at the Leviathan Project, under which the Leviathan Partners were required, inter alia, to provide guarantees as set out in Section 1.7.4(B)(14) above.

On February 21, 2017 the Minister of Energy granted Leviathan Transmission Systems Ltd. (a company owned by the Leviathan Partners) a permit for the construction and operation of a pipeline network, which will be used to convey natural gas from the fields in the Leviathan Leases, or of other natural gas suppliers under certain conditions, all subject to the terms of the license.

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85 https://www.gov.il/he/departments/news/multi-year_plan

86 https://www.gov.il/he/departments/news/multi-year_plan.

1.7.36. Specific legislation applicable in the Partnership in Cyprus

The Partnership's oil and gas exploration operations in Cyprus are subject to legislation and regulation applicable to the operating segment in the Republic of Cyprus, including provisions regarding the obligation to obtain permits and licenses to perform actions, an undertaking to execute a work plan, provision related to safety and environmental protection, etc. The Republic of Cyprus is a full member of the EU and is therefore subject to the EU directive on granting and use of hydrocarbon exploration and production permits (Directive 94/22/EC) and other relevant European legislature that also regulates hydrocarbon exploration and production operations in the Republic of Cyprus and its EEZ.

1.7.37. Material agreements

Following is information about material agreements entered into by the Partnership that were in force in the period from January 1, 2020 until the approval date of the Report:

(A) Main natural gas sale agreements from the Leviathan project to the domestic market and for export, as set out in Section 1.1.1(A) above.

(B) The financing documents of the debentures issued by Leviathan Bond described in Section 1.7.17(C) above.

(C) The PSC in Block 12 described in Section 1.7.5(C) above.

(D) <u>The EMG Transaction and the series of agreements for the acquisition of EMG shares and regulation of the terms and conditions for exporting gas to Egypt</u>

In order to enable execution of the export agreement to Egypt, EMED acquired 39% of the share capital of EMG, a private company registered in Egypt, which owns a 26-inch, 90-kilometer-long subsea pipeline connecting the Israeli transmission system near Ashkelon to the Egyptian transmission system near El-Arish, as well as related facilities (hereinafter - the "EMG Pipeline"). For information about the EMG Transaction and the series of agreements for the acquisition of its shares, see Section 1.7.20J to Chapter A of the Company's Periodic Report for 2020.

(E) <u>Joint operating agreement for the Leviathan Leases</u>[87]

(1) <u>General</u>

Activities in the Leviathan Leases (hereinafter in this section - the "Oil Asset") were carried out through a joint operating agreement ("Joint Operating Agreement or "JOA") dated August 31, 2008 (as amended from time to time); the parties to the JOA are the Partnership and the other partners in the Leviathan leases as described in Section 1.7.4(A) below (hereinafter in this section - the "Agreement" or "JOA"). The purpose of the JOA is to set out the mutual rights and obligations of the parties in connection with operations in the Leviathan lease areas (hereinafter in this section - the "Oil Asset").

According to the JOA, Chevron was appointed as the Operator.

(2) <u>Method of accounting</u>

Unless specified otherwise in the JOA, all rights and interests in the Oil Asset, the joint property and all hydrocarbons produced from them will be subject to the terms of the Oil Asset and the rules applicable to it, based on the participation rate of the parties. Furthermore, unless stated otherwise in the JOA, the obligations of the parties under the terms of the Oil Asset and JOA, all liabilities and expenses incurred or undertaken by the Operator in connection with the joint operations,[88] and all credits in the joint account, [89] the parties will bear between them, according to their participation rate in the Oil Asset, and each party will pay on the date under the provisions of the Accounting Procedure in the JOA (hereinafter - the "Accounting Rules"), their share based on their participation rate of all expenses of the joint account. It should be noted that the payments dates are main points of the JOA and payments by one party of any charge under the JOA do not deny such party's any subsequent right to divide such charge. According to the Accounting Rules, Chevron is entitled to reimbursement

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[87] It is noted that at January 1, 2012, operations in the Leviathan Leases were carried out under a single JOA.

[88] According to the definitions in the JOA, "Joint Operations" are the operations carried out by the Operator in accordance with the provisions of the JOA and the costs that are attributable to each of the parties to the JOA.

[89] According to the definitions in the JOA, "Joint Account" is the accounts managed by the Operator for the joint project in accordance with the provisions set in the JOA and the accounting rules.

of all direct expenses connected to fulfillment of its duties as operator and reimbursement for indirect expenses arising from the share of the joint venture expenses in the exploration stage as follows:

Direct expenses (annual)	Rate of payment to the Operator (as a percentage of the direct expenses)
More than USD 4 million	4%
USD 4-7 million	3%
USD 7-12 million	2%
More than USD 12 million	1%

The indirect expenses for the development and production phase were not set out in the JOA and on June 30, 2016, an amendment was signed to the JOA for the Levitan project, according to which the Operator will be entitled to indirect expenses at a rate of 1% of total direct expenses for development and production activities, subject to certain exceptions, such as marketing activities.

(3) The rights and obligations of the Operator

According to the JOA, the operator will be solely responsible for the Partnership's operations in the Oil Asset - which includes, among other things, drafting of work plans, budgets and payment orders, the execution of the work plan in accordance with the approval of the joint operating committee, the planning and obtaining of all approvals and materials required for executing them, and providing consultation and technical services as required for the effective running of the joint operation. The Operator may employ subcontractors and/or agents (that may be a related party/affiliate[90] of the Operator or one of the parties to the JOA or a related party/affiliate of one of the parties to the JOA) to carry out the foregoing Joint Operation.

In managing the Joint Operations, the Operator is required, among other things, to comply with the terms of the oil field license and legal regulations applicable to it and the JOA, and the guidelines of the operating committee (whose duties are described below), and to conduct all the Joint Operations diligently, safely and efficiently according to prudent oil field practices conventional in the international oil industry under similar circumstances. The Operator is also required to purchase the insurances specified in the JOA according to the provisions included in the JOA.

The Operator is also required, after receiving reasonable prior notice, to allow the representatives of each party at any reasonable time and at their expense and responsibility, access to the Joint Operations, including the right to observe the Joint Operations, to examine all the joint assets and to conduct a financial audit according to provisions of the Accounting Procedure set out in the JOA.

Subject to the terms of the oil assets, the terms applicable to it and the JOA, the Operator will determine the number and identity of the employees, their work hours and the salary that will be paid to them regarding the Joint Operations. The Partnership will employ only the human resources reasonably required to implement the Joint Operations.

The Operator will provide the other parties data and information as set out in the JOA and will allow them access at any reasonable time to all such information.

The Operator, as instructed by the operating committee, will inform the parties immediately of any material claims and other claims filed as a result of the Joint Operations and/or relating to them. The Operator will represent the parties and will defend against such foregoing claims. The Operator may, at its sole discretion, settle any claim or series of claims for up to an amount of USD 50,000 plus legal fees, and will request the approval of the operating committee for any amount exceeding this amount. Each party will be entitled, at its expense, to be represented by its own attorneys in any settlement or defense in such claims. None of the parties will reach a settlement in respect of its pro rata share in any claim without first proving to the operating committee that it is able to do so without impairing the interests of the Joint Operations.

Each party which is not an operator will notify the other parties immediately of any claim against that party made by a third party and which arises from the joint operations or could affect the joint operations, and the party that is not the operator will defend itself or settle the claim as instructed by

[90] In this context, a related party/affiliate" is defined in the JOA as a legal entity that was or is controlled by a party to the JOA (directly or indirectly); and "control" means a holding (direct or indirect) of more than 50% of the voting rights or ability to control decision making in such legal entity.

the operating committee. Expenses and damages incurred in respect of the defense or settlement and which are attributable to the Joint Operations will be charged to the joint account.

Unless otherwise stated in this section, the Operator (and in this matter - including its directors and officer, affiliates and their directors and officers, hereinafter jointly: the "Indemnified Parties") will not bear (other than as a party at the rate of its participation in the oil asset) any damage, loss, cost, expense and liability that are a result of the Joint Operations, even if caused, in full or in part, by a prior defect, negligence (exclusive, shared or parallel), gross negligence, absolute liability or any other absolute liability or any other legal guilt of the Operator or of any Indemnified Party.

Unless otherwise stated in this section, the parties to the JOA, according to the rate of their participation in the oil assets, will defend and indemnify the operator and the joint parties for all damages, losses, costs, expenses (including reasonable legal expenses and lawyers' fees), and liabilities arising from claims, demands or grounds for claim filed by any person or legal party and which are a result of or arise from the joint operations, even if caused in full or in part, by prior damage and negligence (exclusive, shared or parallel, gross negligence, absolute liability or any other legal guilt of the operator or of any indemnified party).

Notwithstanding the foregoing, should a senior officer of the operator or related party be involved in gross negligence that is proximately causing any damage, loss, cost, expense or liability to claims, demands or cause for claim as aforesaid, then, in addition to its liability as party according to the share of its participation, the operator will bear only the first USD 5,000,000 of the damage, loss, cost, expense and liability.

Notwithstanding the foregoing, under no circumstances will an Indemnified Party (other than as a holder of rights in the oil asset in accordance with the rate of its participation rights) be liable for environmental or consequential damages or losses.

(4) Operating Committee

Under the JOA, the parties established an Operating Committee, which has the authority and the duty to approve and oversee the Joint Operations that are required or necessary for fulfilling the terms of the oil licenses and the JOA, for exploration and use of the oil asset areas in accordance with the JOA and in a manner that is appropriate in the circumstances. The operating committee is composed of representatives of the parties (and their substitutes) and eachrepresentative will have a right equivalent to the participation right of the party it represents. The JOA sets out the processes and procedures for convening meetings of the Operating Committee and the agenda by a vote, and including processes and procedures for decision making.

Unless otherwise explicitly stipulated in the JOA, all decisions, approvals and other actions of the Operating Committee in respect of any proposal that is presented to it, will be resolved by an affirmative vote in favor of the proposal of two or more parties (which are not related parties or affiliates), that together hold at the time of the vote at least 60% of the total participation rights in the area of the oil asset.

It is further noted that, to pass a resolution to terminate the lease or waive any part of the lease area, a vote in favor by all the parties is required. A positive decision by one party to JOA is sufficient to approve any application for a license or renewal of a license or a lease.

(5) Work plans and budgets

The JOA establishes a procedure for submission and approval of work plans, budgets and authorizations for expenditure (AFE) for carrying out the operations in the areas covered by the JOA.

On the first day of October or before this date in each calendar year, the operator will submit a proposed work plan and production budget to the parties, setting out the Joint Operations to be carried out in the production area as well as the planned production schedules for the next calendar year and the Operating Committee has 30 days from date such proposal is submitted within which to decide regarding the work plan and production budget.

Any engagement by the Operator in agreements with regard to exploration and assessment, and production operations, at a cost that exceeds USD 2.5 million, and development operations, at a cost that exceeds USD 5 million, will require the approval of the Operating Committee.

Before any expense or undertaking that exceeds USD 500,000 for each item in the approved exploration, assessment and production work plan and budget, as well as an amount exceeding USD 1,000,000 for each item in the approved development work plan and budget, the Operator will submit an AFE to the other parties, that will include, among other things, an estimate of the amounts and timetables required for carrying out such operation, as well as any additional information necessary

to support such request. Notwithstanding the foregoing, the Operator is not required to submit an AFE to the parties before undertaking an expense in respect of ongoing operating, general and administrative expenses classified as separate items in the approved work plan and budget.

The Operator may deviate without obtaining approval from the Operating Committee, by up to 10% of the amount approved for a given item, provided the cumulative total of deviations in a calendar year does not exceed 5% of the approved work plan and budget. If the Operator expects that such deviation may exceed these limits, it will submit another AFE to the Committee for approval of the expected extra expense. These limits do not affect the Operator's right to exceed the expenses for urgent operational matters and emergencies as specified in the JOA.

It should be noted that the JOA allows non-operator parties to submit work plans and budgets that are different from those submitted by the Operator, for approval by the Operating Committee. If the work plans and budgets submitted by the parties are not approved by majority vote by the Operating Committee, as set out above, then the work plan that received the most votes will be approved, as long as it meets the required minimum working conditions with regard to the oil asset.

(6) Sole Risk Operations

Operations in which not all the parties participate, (defined in the JOA as exclusive operations, and which are commonly known as sole risk operations in the oil exploration sector) will not be carried out if they contradict the Joint Operations that all the partners participate in. The JOA establishes rules for carrying out such operations.

The JOA includes provisions relating to sole risk operations – in other words, drillings, tests and development, without the consent of all the parties and which, under certain circumstances as set out in the agreement, can be carried out by some of the partners. Parties that did not join such operations are given the opportunity, subject to the conditions and payments set out in the agreement, to retrieve their share in the operation and anything relating to it. Furthermore, parties have not joined the sole risk operations, but have decided to join later after the date for joining, will be subject to fines and interest as set in the JOA.

(7) Operator's resignation and removal from office

Subject to the provisions of the JOA, the Operator may at any time, with prior notice of at least 120 days, resign from its position as Operator.

Subject to the provisions of the JOA, the Operator will be removed from its position in any of the following cases: (a) if it becomes insolvent or bankrupt, or makes an arrangement in favor of its creditors; (b) if a party to the agreement gives notice of a court order or a valid ruling for restructuring according to insolvency laws; (c) or if a receiver is appointed for a significant portion of its assets; or (d) if the Operator is dissolved or ceases to exist.

In addition, the Operator may be removed from its position according to a decision by other parties to the JOA (other than the Operator) in the event of a fundamental breach of the JOA and if the Operator failed to begin correcting the breach within 30 days of receiving notice specifying the breach, or failed to complete the remedy of the breach. Any decision of the other parties in the JOA (other than the Operator) to notify the Operator of a breach or to remove the Operator from its position will require a majority vote in favor of such decision by one or more non-operator (or non-related party/affiliate of the Operator), together representing at least 65% of participation rights of such parties that are not an operator.

If there is a change of Operator as aforesaid, then the Operating Committee will convene as soon as possible to appoint an operator, however no party to the JOA will be appointed to the position of operator against his will. An Operator that is removed from its position or its related party/affiliate will not have the right to vote for itself or to be a candidate for the position of operator.

(8) Sanctions applicable to the parties and conditions for imposing sanctions

A party that fails to pay its pro rata share of the joint expenses on time, including advance and interest payments, or that fails to present or maintain the collateral it is required to provide will be considered as a breaching party (hereinafter - The “Breaching Party”). From the end of 5 days after the date on which the Breaching Party receives notice of the breach, and for as long as the breach continues, the Breaching Party will not be entitled, among other things, to attend or vote at the Operating Committee meetings, receive information regarding the Joint Operations, and transfer its participation rights or part thereof, other than to breaching parties.

Each party that is not the Breaching Party (hereinafter - “Non-breaching Party”) will be required to cover its pro rata share (compared to the share of the other Non-breaching Parties) of the amount of

the breach (excluding interest), and to pay this amount to the Operator within 10 days of receiving notice of the breach, and if a Non-breaching Party fails to do so, it will become a Breaching Party.

As long as the breach continues, the Breaching Party will not be entitled to receive the share of the output to which it entitled, and this share will become the property of the Non-breaching Parties, and they will be entitled, according to the procedures set out in the JOA, to collect their due from this share until full payment of the amount in the breach (including establishment of a reserve fund). Any surplus amount will be paid to the Breaching Party and any shortfall will remain a debt of the Breaching Party to the Non-breaching Parties. If the Breaching Party fails to remedy the breach within 90 days of the breach notice, then, without derogating from any other right of the Non-breaching Party according to the JOA, each Non-breaching Party will have the option (which may be exercised at any time until the breach has been remedied in full) to demand that the Breaching Party withdraw completely from the JOA and the oil asset. If this option is exercised, on the date of sending the notice concerning the option to exercise, the Breaching Party will be considered as having transferred all its rights under the JOA and in the oil asset to the Non-breaching Parties, and will be required, without delay, to sign any document and to take all steps required by law to validate the transfer of rights, and to remove any lien or charge on these rights.

The rights and remedies of the Non-breaching Parties following the breach are in addition to any other rights and remedies that will be available to the Non-breaching Parties under the law.

The basic principle of the JOA is that each party is required to pay its pro rata share on time (according to the rate of its participation in the oil asset), of all amounts due according to the JOA. Consequently, a party that becomes a Breaching Party waives the claim of offset and will not be entitled to raise it towards Non-breaching Parties that applied the procedures set out in the JOA against the Breaching Party, for failure to pay the amounts due from it on time.

(9) Transfer of rights

Transfer of all or part of the participation rights of a party in an oil asset will be valid only if it complies with all the terms set out in the JOA including, among others, the following conditions:

A. Other than a case where a party transfers all its participation rights in the oil asset, rights will not be transferred which, as a result, will leave the transferor or the transferee with participation rights of less than 10% in the oil right or the JOA.

B. Notwithstanding the transfer, the transferor will remain responsible towards the other parties to the JOA for all financial and other liabilities, that were incurred, vested or accrued according to the oil asset or the JOA prior to the date of transfer, including, any expense that was approved by the Operating Committee before the transferor gave notice of the transfer of the rights to the other parties to the JOA.

C. The transferee will have no rights under the oil asset or under the JOA, as long as and until: (a) it has received the required government approval and provided the guarantees required by the government or under the terms of the oil asset; (b) has expressly undertaken in a written document to the satisfaction of the other parties, to perform the transferor's obligations under the terms of the oil asset and the JOA in respect of the participation rights transferred to it; and (c) all the other parties have agreed in writing to the transfer. It should be noted that the parties may refrain from granting their approval only if the transferee fails to show to their reasonable satisfaction that it has the ability to meet his payment obligations under the leases and the JOA and the technical ability to contribute to the planning and execution of the Joint Operations. Nonetheless, in the event of a transfer to a related party, the consent of the other parties is not required, provided that the transferring party remains responsible for the transferee fulfilling its obligations in full.

D. The foregoing will not prevent a party to the JOA from pledging all or part of its participation rights as collateral for financing, provided that the party remains liable for all obligations relating to the foregoing right. Such lien or pledge will be subject to any required governmental approval and will be expressly recorded as subordinated to the rights of the other parties under the JOA.

E. The transfer of a party's participation rights in the oil assets, in whole or in part, (other than the transfer to a related party or a pledge on the rights as specified above) will be subject to giving notice to the other parties, in which the transferor will disclose to the other parties the final terms and conditions of the transaction and will grant them right of first refusal. Once such notice is given, each of the other parties will have the right to acquire the participation rights offered in the transaction from the transferor under the same conditions (and without any reservation) by giving counter-notice within 30 days from receipt of the notice. In the event that more than one party give notice of their intention to exercise the right of first refusal, the rights will be sold pro rata to the share of participation rights of such parties.

(10) Change in Control

In the event of a change in control of one of the partners, such party will provide the other parties: (a) all required government approvals, as well as guarantees required by the government; and (b) proof regarding its financial ability to meet the obligations under the agreement. In addition, the party in which such change is made will give notice of the change of control to the other parties (hereinafter in this section - the “Notice”). In this section, "change of control" means any direct or indirect change in the control of a party (including by way of merger, sale of shares, other interests or otherwise) where the value of its holding in Leviathan will be more than 50% of the market value of the of such party’s total assets. The Notice will contain, among other things, the market value of the partner’s interests under the JOA, based on the amount that the buyer of the control is willing to pay in an arm’s length transaction. Once such Notice has been given, each of the other parties will have the right to purchase the full interests of the partner in which the change of control occurred, within 30 days from receipt of the Notice, and such purchase will be under the same terms and at the price given. It is further noted that, under the terms and conditions set out in the JOA, the other parties may dispute the value given in the Notice of the change of control.

In the event that more than one party gives notice of its willingness to exercise its right to purchase the interest as aforesaid, the interest will be divided pro rata to the participation rights percentage of the parties.

(11) Withdrawal from the JOA

The JOA includes provisions for full or partial withdrawal of a party from any oil asset (and from the applicable JOA), and determines the cases in which withdrawal is possible, and the rights and obligations of the withdrawing party towards the other partners in the Oil Asset and the JOA.

A party seeking to withdraw from the oil asset is required to notify the other parties of its decision (hereinafter in this section - the “Withdrawal Notice"). The Withdrawal Notice will be unconditional and irrevocable immediately upon delivery, subject to the conditions set out in the JOA. Within 30 days after delivery of the Withdrawal Notice, the other parties to the JOA may also submit a Withdrawal Notice. In the event that all the parties submit a Withdrawal Notice, they will act to terminate the JOA and their other obligations related to the project and the JOA. In the event that not all the parties decide to withdraw, each of the withdrawing parties will act in order to transfer their rights as soon as possible, as aforesaid, to the partner/partners that chose not to withdraw. The transfer of the rights will be free of charge and each withdrawing party will bear any expenses arising from their withdrawal, other than if decided otherwise. The transferred rights will be divided among the remaining parties according to the rate of their holdings.

(12) Production rights and obligations

Each party has the right and obligation to take its share of the hydrocarbons produced from the holdings, unless agreed otherwise.

(13) Applicable law and resolution of disputes

The JOA is subject to the laws of England and Wales. Any dispute will be decided in an arbitration proceeding in accordance with the arbitration rules of the London Court of International Arbitration (LCIA).

(F) Joint operating agreement for Block 12

The JOA in Block 12 covers the same issues and is the same format as the JOA in the Leviathan Project (as described above). When resolutions are adopted by a decisive majority vote which is a positive vote in favor of a decision by at least two participants that are not affiliated parties and that jointly hold at least 65% of the license rights. Chevron Cyprus serves as the Operator in Block 12.

(G) Payment of royalties to the State and undertaking to pay royalties to the State and to related and third parties

(1) General

Under the Petroleum Law, the Partnership is required to pay the royalties to the State at the rate of one-eighth (12.5%) of the volume of oil and natural gas produced from the area of each lease and utilized, at the market value of the royalty at wellhead (hereinafter - the “State Royalties”).

In addition to State Royalties, the Partnership pays royalties, according to the market value of the royalties at wellhead, to related and third parties (hereinafter jointly - the "Royalty Holders") under their obligations in two agreements: (a) the undertaking to pay royalties to the Company and to Delek Energy under the 1993 Agreement, as described in subsection (2) below; and (b) the undertaking to

pay royalties under the Avner Partnership Limited Partnership Agreement (hereinafter - “Avner Partnership Agreement"), as described in subsection (3) below, which the Partnership assumed as part of the merger of Partnerships that was completed in May 2017.

The Partnership undertook to pay royalties to Royalty Holders at certain rates from the Partnership’s share of the oil, gas and other substance of value produced and utilized from the oil assets in which the Partnership has an interest, at the market value of the royalty at wellhead.

As aforesaid, pursuant to the Petroleum Law, the leaseholder is required to pay the State the "market value of the royalty at wellhead". A method must be set for calculating the market value of the royalty at wellhead is required because natural gas sales are priced at the onshore gas delivery point, and therefore, the contractual price stipulated in the gas sale agreements is higher than the price that would have been set had the gas been delivered at wellhead. Consequently, the effective rate of the State Royalties is actually lower than one-eighth (hereinafter - the "Effective Rate").For information concerning the draft directives issued by the Ministry of Energy for public comment regarding the method for calculating the market value of the State Royalties at wellhead, see Section 1.7.33(G)(4) above. For further information concerning the method of calculation of the Effective Rate of the State Royalties in Tamar Project and Leviathan Project and regarding the discussions with the State on this matter, see subsection (4) below. It is noted that in practice, the calculation of royalties paid by the Partnership to the Royalty Holders is based on the calculation of the value of the State Royalties at wellhead.

(2) Royalties under the 1993 Agreement

Under the 1993 Agreement signed between Delek Energy and Delek Israel (hereinafter - the “Transferors”) of the one part, and the general partner in the Partnership, of the second part, the Transferors transferred to the Partnership rights in several licenses and the Partnership undertook in return to pay royalties to the Transferors from the Partnership’s share of the oil, gas and other substance of value produced and utilized from the oil assets in which the Partnership has an interest. The Royalties will be paid from the Partnership's total share, as aforesaid, at the value of the Royalty at wellhead, before deduction of royalties of any kind but after deduction of the oil used for its production needs.

The royalty paid by the Partnership under the 1993 Agreement is divided between Delek Energy (75%) and Delek Israel (25%). Following reorganization, the Company currently holds Delek Israel's right to such royalties.

The rate of royalties set in the 1993 Agreement, and as revised on the date of the merger of the partnerships, are as follows: (a) until date or return on investment of the Partnership, royalties will be paid at a rate of 2.5% for onshore oil assets and 1.5% for offshore oil assets; and (b) after ROI date, royalties will be paid at a rate of 7.5% for onshore oil assets and 6.5% for offshore oil assets.

Pursuant to the 1993 Agreement, the Partnership and the Transferors signed deeds of royalties under which the royalty rights were recorded in the Petroleum Register.

In December 2017 the Partnership began paying royalties under the 1993 Agreement with respect to the Tamar Project at a rate of 6.5%, the rate after the ROI date of the Project (hereinafter - the “Increased Rate”), based on a draft calculation prepared by the Partnership at that time. For information regarding the legal proceedings underway with regard to setting the ROI Date of the Tamar Project, see Note 23A2(3) to the Financial Statements.

(3) Royalties under the Avner Partnership Agreement

Under the Avner Partnership Agreement, Avner Partnership undertook to pay to Cohen Development and other third parties, royalties of 6% of its entire share in the oil, gas and other substances of value that are produced from the oil assets in which it has or had an interest. The Royalties are calculated at the value of the Royalty at wellhead, before deduction of royalties of any kind but after deduction of the oil used for production needs. According to this undertaking, deeds of royalties were signed between Avner Partnership and the Royalty Holders, under which the royalty rights were recorded in the Petroleum Register.

Under the merger of the Partnerships, the Partnership assumed the undertakings of Avner Partnership to pay royalties and accordingly, the rate of royalties paid by the Partnership to the Royalty Holders under the Avner Partnership Agreement was adjusted to 3%. In the amendment to the NewMed Energy Partnership Agreement drawn up at the time of the merger, the Partnerships clarified that the Avner Partnership Agreement and deeds of royalties signed under them would retain full validity with respect to the parties therein.

(4) Method of calculation of the market value of royalties at wellhead

Under the terms of the royalties, the Partnership is required to pay the State and royalty holders (including the Company) the market value of the royalties "at the wellhead".

Since the start of production in 2013, a dispute has arisen between Tamar Partners and the Ministry of Energy regarding the method for calculating the effective rate of royalties. Tamar Partners claim that the payments they have made, at the demand of the State, are excess payments that were collected illegally, and therefore Tamar Partners are acting through Chevron to settle this dispute with the Ministry of Energy.

As from the start of gas supply from the Leviathan reservoir, the Leviathan partners make advance payments to the state on account of royalties to the state at a rate of 11.26%, for revenues from the Leviathan project, in accordance with the letter of demand received from the Ministry of Energy in January 2020. According to Leviathan Partners, the effective rate of the State's royalties as demanded by the Ministry of Energy is higher than the calculation made by the Operator.

It is noted that the calculation of the market value of the royalties paid by the Partnership in the past and to date, to the Company and to third parties was based on the method for calculating the market value of the State Royalties and therefore the method for calculating the market value of the State Royalties also affects the effective royalty rate of the royalty rights of the Company and of the other Royalty Holders.

In view of the dispute that has arisen between the Tamar Partners and the State regarding the value of the royalty at wellhead in the Tamar Project, as described above, and the other dispute regarding the royalties paid to the State for gas marketed from the Tamar reservoir to Yam Tethys Project customers, the Partnership reached agreements with the Company and the other Royalty Holders, the main point of which is that any decision made in the dispute with the State on these issues will also apply with regard to the royalties that the Partnership pays to the Royalty Holders.

For further information concerning the foregoing dispute regarding the manner in which the value of the royalty at wellhead is calculated, see Note 12M to the financial statements.

(5) Terms of royalties

With regard to all the royalties paid by the Partnership to the Company and to third parties, the following additional conditions apply:

A. The Royalty Holders or any of them will be entitled to receive the foregoing royalties or part thereof in kind, i.e. to receive in kind part of the oil and/or gas and/or other substance of value produced and utilized from the oil assets in which the Partnership has an interest (up to the rate noted above). If any of the Royalty Holders chose to receive royalties in kind, the parties will regulate the manner of and dates on which the Royalty Holders will receive the royalties. If any of the Royalty Holders choose not to accept royalties in kind, the Partnership will pay that Royalty Holder the market value, in USD, or (if by law it is only able to pay in Israeli currency) in Israeli currency, calculated at the representative exchange rate of the USD at the time of actual payment, of the royalties due to the Royalty Holder. Such payment will be made once every month. The volumes of oil and/or gas and/or other valuable substances that will be produced and utilized from the oil assets for the purpose of calculating the royalties due to the Royalty Holders, will be measured in accordance with accepted principles in the petroleum industry.

B. The Partnership will keep full and accurate records concerning its share in the oil and/or gas and/or other valuable substances that will be produced and utilized from the oil assets in which it has an interest. Each Royalty Holder will be entitled to appoint an accountant who may review, examine and copy, during normal work hours, the Partnership's books and other documents and records regarding the Transferors' right to the royalties under the Rights Transfer Agreement.

C. The right to royalties will be linked to the Partnership's share in each of the oil assets in which it has an interest. If the Partnership transfers its rights in the oil asset in which it has an interest, the Transferee will undertake all the liabilities to pay the royalties. The foregoing does not apply to foreclosure of the asset due to delay in payment by the Partnership. With regard to the royalties under to the Avner Partnership Agreement, the foregoing will not apply also in the event of transfer to partners continuing the operations together with some of the participants (Sole Risk).

(H) Agreement for granting right of use for the Yam Tethys Project facilities

For further information concerning the agreement between the Yam Tethys partners (including the Company and Partnership) and the Tamar Partners (including the Partnership) dated July 23, 2012, see Section 1.7.36(M) to the 2018 periodic report, noted here by way of reference.

(I) Agreement to sell the Partnership's interests in the Tanin and Karish Leases

On August 16, 2016, the Partnership and Avner signed an agreement with Energean under which Energean purchased their interests in the I/16 Tanin and I/17 Karish leases. For further information concerning the agreement, see Section 1.7.26(Q) to the 2018 periodic report, noted here by way of reference.

(J) Agreement for the sale of 9.25% of the Partnership's interests in the Tamar and Dalit Leases to Tamar Petroleum.

On July 2, 2017, a sale transaction was signed between the Partnership as Seller and Tamar Petroleum, under which Tamar Petroleum purchased from the Partnership an interest of 9.25% (out of 100%) in the Tamar and Dalit leases. For further information concerning the agreement, see Section 1.7.26(Q) to the 2018 periodic report, noted here by way of reference.

(K) Agreement for the sale of the Partnership's remaining interests of 22% in the Tamar and Dalit Leases

In accordance with the provisions of the Gas Framework, which, inter alia, requires the Partnership to sell its entire holdings in the Tamar and Dalit leases, on September 2, 2021, the Partnership signed an agreement for the sale of the balance of the Partnership's rights at a rate of 22% in the Tamar project to Tamar Investment 1 RSC Limited and Tamar Investment 2 RSC Limited[91] (hereinafter in this section - the "Buyers"" and the "Agreement", as the case may be). On December 9 2021, the transaction was finalized, and as of the approval date of the report the Partnership received USD 965 million in return for the sold assets.[92]

Set forth below is a summary of the key provisions of the Agreement:

(1) The sold asset, as set out in the agreement, includes the Partnership's rights (22%) in each of the leases Tamar and Dalit, together with the Partnership interest in Tamar 10 Inch Pipeline Ltd. (the holder of the transmission license pursuant to Section 10 to the Natural Gas Market Law), and the Partnership's rights and obligations as per the joint operation agreement applicable to the leases, the agreement for the use of the Yam Tethys facilities (with respect of the Partnership's share as a holder of rights in the Tamar lease), in the agreements for the sale of natural gas and condensate from the Tamar lease, in the agreements for export of natural gas (including the agreements related to the export agreements and the export permits to Jordan and Egypt) and in other related agreements between the owners of rights in the leases.

(2) The Partnership's rights in the leases will be transferred to the Acquirers subject to the existing royalty interests in the leases that were borne by the Partnership, and accordingly, the payment obligation to the royalty holders will apply to the Acquirers.

(3) As from August 1, 2021 (hereinafter in this section - the "Effective Date"), the Buyers shall assume, each in accordance with its share, all of the expenses, payments, guarantees, collateral and obligations applicable in respect of the Sold Assets and under the provisions of any law, with the exception of certain obligations in respect of which it is set out in the Agreement that the Partnership will retain liability after the completion of the transaction, as described below.

(4) The Partnership shall bear all costs, payments, guarantees, collaterals and obligations applicable in respect of the Sold Assets and in accordance with the provisions of any law until the Effective Date, including taxes in respect of the Sold Assets and the levy under the Taxation of Profits from Natural Resources Law, 2011 (hereinafter - the "Petroleum Profits Levy") for quantities of hydrocarbons sold until the Effective Date.

(5) The Partnership shall remain liable to the liabilities listed below even after the completion of the transaction: (a) liabilities in connection with the Sold Assets in respect of the period prior to the Effective Date (except for malfunctions and wear and tear of Tamar Project facilities and equipment that were in place prior to the Effective Date but were not known to the Partnership); (b) liabilities in respect of hydrocarbons produced from the leases prior to the Effective Date; (c) liabilities in connection with the motion for class action certification filed by a consumer of the Israel Electric Corporation. against the owners of rights in the Tamar lease, including any appeal and any other proceeding in connection therewith; (d) payment demands as per the joint operating agreement in

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91 To the best of the Partnership's knowledge, the Acquirers are special purpose companies (SPCs) that were set up for the purpose of the transaction and are held (indirectly) by MDC Oil & Gas Holding Company LLC, a Mubadala Investment Company PJSC group company owned by the Abu Dhabi government.

92 As of the report's approval date, the final settlement for the consideration for the Sold Asset was completed and the Partnership received a further amount of USD 10 million, such that the total consideration received for the Sold Asset amounts to USD 965 million).

the leases, where such demands were sent by the Tamar Project operator prior to the Effective Date; and (e) liabilities in connection with environmental hazards in the area of the leases, to the extent that such hazards existed prior to the Effective Date or were known to the Partnership prior to the transaction completion date.

(6) As part of the Agreement, the Partnership made various representations to the Acquirers, as is generally accepted in transactions of this type, including with respect to the Partnership's title to the Sold Assets and material information regarding the Sold Assets including, among other things, compliance with the terms of the leases, validity and non-breach of material agreements, legal proceedings relevant to the Sold Assets, compliance with the applicable law provisions, applicable taxes and certain financial information of the joint project.

(7) The Agreement includes provisions under which the Partnership has undertaken to indemnify the Acquirers for any damage or liability that may be caused to them in connection with demands, claims or any other legal proceeding as a result of a breach of a representation provided that the Partnership will not be liable for damages until the total amount of the said damage exceeds USD 2.5 million, and that the total indemnity amount for which the Partnership will be liable does not exceed 35% of the consideration paid for the Sold Assets, except in relation to certain representations that were defined as "fundamental representations" (for which the total indemnity amount will not exceed 100% of the consideration) or in case of fraud (in respect of which no liability limit has been set). The Partnership will not be liable to the Acquirers for breach of representations unless a demand for indemnity has been delivered by the end of 18 months from closing (or 36 months in relation to the fundamental representations as described above and until the end of the relevant statutory limitation period in relation to the representations relating to tax liabilities).

(8) The Partnership has undertaken to indemnify the Acquirers in respect of extraordinary events, including over-charging the Acquirers with the Petroleum Profits Levy, in connection with certain disputes between the Partnership and the Israel Tax Authority regarding the method of calculation of the levy in relation to income and expenses during the period prior to the Effective Date, subject to the mechanism set out in the Agreement and up to a maximum indemnity amount of USD 15 million.

(9) The law governing the Agreement is English law. Any disputes between the parties to the Agreement will be resolved in an arbitration proceeding before 3 arbitrators in London in accordance with the rules of the London Court of International Arbitration.

1.7.38. Legal proceedings

(A) On June 18, 2014, a motion for certification of a class action was filed with the Tel Aviv District Court by a consumer of the IEC against the Tamar partners (hereinafter - the "Applicant" and the "Motion for Certification", respectively). The claim refers to the price of natural gas sold by the Tamar partners to IEC.

In the Motion for Certification, the price of gas sold to IEC is unfair and constitutes an abuse of the status of the Tamar partners as a monopoly for supply of natural gas in Israel, in contravention of Section 29A to the Economic Competition Law.

The following remedies are requested in the Motion for Certification: Compensation for all electricity consumers in the difference between the price paid to IEC for natural gas supplied by the Tamar partners and its fair price, which is estimated at NIS 2.456 billion (100%) on the filing date of the motion, and declaratory orders stating that the Tamar partners are required to refrain from selling natural gas from the Tamar Project at the amount exceeding the amount set in the Motion for Certification, and its sale at a higher price constitutes abuse of their power as a monopoly.

On August 6, 2021, the district court handed down a judgment dismissing the motion for certification, both because the grounds for the claim had not been proven, even ostensibly, in that there is no evidence that the price of natural gas in the IEC contract is unfair, and because the motion for certification fails the fulfill the requirement in Section 8(A)(2) of the Class Actions Law, 2006, in that the class action is not the effective and fair way to resolve the dispute under the circumstances, due to the deep involvement of the regulators assessing the broad questions in economics, economic competition, and Israel's foreign and security policy, which were reflected in the ruling of the regulators and the government of Israel.

On September 30, 2021, the applicant appealed the judgment with the Supreme Court, petitioning the Supreme Court to certify the claim as a class action and to order the district court to hear the class action. Tamar Partners filed their response to the appeal on March 1, 2022 and the Attorney General is expected to file his response to the appeal by April 3, 2022. The hearing of the Appeal is scheduled for September 19, 2022.

The Partnership believes, based on the opinion of its legal counsel, that it is more likely than not that the appeal will be dismissed.

It is noted that, pursuant to the terms of the sale transaction of the rest of the Partnership's interests in the Tamar Project as described in Section 1.7.33(K) above, once the transaction is complete, the Partnership will also waive responsibility towards the buyers for obligations regarding the foregoing motion for approval, including any appeal and other proceeding in this regard.

(B) On March 12, 2015, the Partnership and Chevron (hereinafter jointly in this section - the "Plaintiffs") filed a claim with the Jerusalem District Court against the State of Israel, through their representatives from the Ministry of Energy, which is mainly a request for a refund of royalties that the Plaintiffs overpaid and under protest, to the Defendant, for revenues arising from gas supply agreements signed between third party customers and the Yam Tethys partners, where some of the gas underlying these agreements was supplied from the Tamar project, in accordance with an accounting mechanism intended for balancing the volume of gas in the Tamar Project between the partners pro rata to their share. The refund remedy that the state is petitioned to pay amounts to USD 28 million as at December 31, 2021; the share of the Partnership amounts to USD 13 million.

Alternatively, the Plaintiffs claim that they are at least entitled to a partial refund, which, as at December 31, 2021, amounts to USD 19.4 million; the share of the Partnership amounts to USD 9 million.

As at the approval date of the report, the claim is in the stage of closing statements.

The Partnership estimates, based on the opinion of the legal counsel, that there is a possibility, i.e. More than 20% but lower than 70% chance, that the main remedy sought by the Plaintiffs will be accepted, so that they will be entitled to the full amount of the refund and that it is more likely than not that, at the very least, their claim to rights to a partial amount refund, will be accepted.

It is noted that, pursuant to the terms of the sale transaction of the rest of the Partnership's interests in the Tamar Project as described in Section [1.7.33(K)] above, once the transaction is complete, the Partnership will also be entitled to receive the amount of the refund that will be ruled in favor of the Partnership, if ruled so.

(C) On December 25, 2016, the holders of Avner participation units prior to the merger (hereinafter in this section - the **"Petitioners"**) filed a motion for certification of a class action (hereinafter in this section - the "**Motion for Certification**") on the grounds that the merger transaction between the Partnership and Avner was approved in an unfair process and the consideration paid to the holders of the non-controlling units in Avner, as fixed in the merger agreement, was unfair. The Motion for Certification was filed against Avner, the general partner in Avner and members of its board of directors, Delek Group as the controlling shareholder in Avner (linked), and against PricewaterhouseCoopers Consulting Ltd. (PWC), as the economic advisor of an independent board committee established by Avner (hereinafter in this section - the "Respondents"). The Motion for Certification includes allegations that the members of the committee, board of directors of Avner and the general partner in Avner, breached the duty of care towards Avner, and that Avner acted in a way that discriminated against the non-controlling interests. The plaintiffs estimate that the damage amounts to NIS 320 million.

On February 13, 2017, the court approved a procedural arrangement whereby the Motion for Certification will be amended by adding a claim of discrimination against a minority by the Delek Group. On July 6, 2017, the court ordered the Partnership to join as a respondent, at its request. On March 9, 2021 and March 10, 2021, evidentiary hearings were held, at the conclusion of which it was decided that the parties will file a procedural arrangement, by March 17, 2021, regarding the method of conduct of the summation stage. According to the agreed procedural arrangement, the Petitioners filed their summations on August 16, 2021, and the date for filing of the Respondents' summations is until April 10, 2022.

The Partnership believes, based on the opinion of its legal counsel, that it is more likely than not that the Motion for Certification will be dismissed.

(D) On February 4, 2019, a claim and a motion for its certification as a class action (hereinafter in this section - the "**Motion for Certification**") was filed with the Tel Aviv District Court (Economic Department) by a shareholder of Tamar Petroleum and the Public Representatives Association (hereinafter jointly in this section - the "**Applicants**"), against Tamar Petroleum, the Partnership, the CEO of the general partner in the Partnership and the Chairman of the Board in Tamar Petroleum at the issuance date, the CEO of Tamar Petroleum, the CFO of Tamar Petroleum, and Leader Issues (1993) Ltd. (hereinafter in this section - the "**Respondents**"), regarding the issue of Tamar Petroleum shares in July 2017 (hereinafter in this section - the "**Issuance**").

According to the Applicants, in brief, the Respondents misled the investors at the time of the Issuance, in relation to the ability of Tamar Petroleum to distribute a dividend to its shareholders, for the period commencing on the date of the Issuance and ended at the end of 2021 (hereinafter in this section - the "**Period**"), and breached its duties under various laws, including breach of the duty of care of the officers and breach of the Partnership's duty as a shareholder and as the controlling shareholder of Tamar Petroleum prior to the Issuance.

The remedies sought in the class action included mainly monetary relief in the amount of at least USD 53 million, which, according to the petitioners, is the difference between the total dividend expected to be paid by Tamar Petroleum for the Period, as set out in the issuance document to institutional investors of July 12, 2017, and the total dividend, which, according to the expert opinion attached to the motion for certification, Tamar Petroleum is expected to distribute for the Period.

On August 13, 2019 the court ordered the Applicants to send the court documents in the case to the Attorney General so that he could give notice by September 15, 2019 of whether he wishes to join the proceeding, and on February 6, 2020 the Attorney General announced that at this stage he did not find it appropriate to join the proceedings.

On November 1, 2020, the Applicants filed a motion to amend the motion for certification (hereinafter in this section - "**C**") under which they sought to add another petitioner that participated in the issuance, and this unlike the current petitioners that did not take part in the issuance, and in addition sought to increase the amount of damages claimed to USD 153 million. On April 6, 2121, the court accepted the applicants' motion for the amendment to the motion for certification, and ruled that the applicants may file the amended motion for certification in the wording that was filed with the court, subject to payment of costs to the respondents in the amount of NIS 100,000. On May 9, 2021, the court accepted the respondents' motion to stay the proceedings in the case due to their intention to file a motion for leave to appeal the decision to approve the amended motion for certification. On June 3, 2021, the respondents filed a motion for leave to appeal the ruling to approve the amendment of the motion for certification, and on July 13, 2021, the applicants filed their response to the motion for leave to appeal. On November 7, 2021, the motion for leave to appeal was dismissed, and on January 23, 2022, an amended motion was filed for certification of the class action. A prehearing on the case is expected to be held on July 4, 2022.

The Partnership believes, based on the opinion of its legal counsel, that it is more likely than not that the motion for certification will be dismissed.

(E) On February 27, 2020, the Partnership learned of the filing of a class action and motion for its certification (hereinafter in this section - the "**Motion for Certification**") filed with the Tel Aviv District Court by an electricity consumer (hereinafter in this section - the **"Applicant"**) against the Partnership and Chevron and against the other holders of the Tamar project and the Leviathan project (as litigants against which no remedy is sought), with regard to the competitive process for the supply of natural gas conducted by the IEC and with regard to a possible amendment to the agreement for the supply of gas from the Tamar project to the IEC as agreed by Isramco, Tamar Petroleum, Dor and Everest (hereinafter in this section - the "**Other Tamar Project Holders**"), without the involvement of the Partnership and Chevron (hereinafter in this section the "**Amendment to the Tamar Agreement**").

The main arguments of the Applicant are, that the bids made by the holders in the Tamar project and the holders in the Leviathan project in the competitive process amount to abuse of monopolistic power and to a restrictive arrangement, as defined in the Economic Competition Law; the fact that the Partnership and Chevron did not sign the amendment to the Tamar agreement also amounts to abuse of monopolistic power; the price set in the agreement for the supply of gas from the Leviathan project to the IEC further to the competitive process is an unfair price; and profits generated and to be generated by the Partnership and Chevron under the agreement, while harming competition, amount to unjust enrichment. The applicant claims that the actions of the Partnership and Chevron have caused and are expected to cause damage to the classes he seeks to represent in the amount of NIS 1.16 billion, for which the applicant is petitioning in favor the classes he seeks to represent, and according to which the court is petitioned to award compensation and fees. The main remedy sought in the class action is a ruling by the court that the Partnership and Chevron are not entitled to prevent the other holders in the Tamar project from signing the Amendment to the Tamar Agreement.

On December 22, 2020, the other holders in the Tamar project filed a motion for summary omission, and on September 9, 2021, the court approved the omission. In addition, on November 17, 2021, the court accepted the agreed motion of Ratio to omit it from the motion for certification.

On December 9, 2021, the Partnership and Chevron filed their response to the motion for certification and the motion for issuing the legal opinion attached to the motion for certification, and on February

27, 2022, the court ruled that the motion will be heard in the hearing scheduled for April 24, 2022. On February 28, 2022, the applicant filed a response to the respondents' response to the motion for certification.

The Partnership believes, based on the opinion of its legal counsel, that it is more likely than not that the motion for certification will be dismissed.

(F) On January 6, 2019, the supervisors on behalf of the holders of participation units in the Partnership filed a discrimination claim and an urgent motion for an interim injunction with the Tel Aviv District Court (the Economic Department) (hereinafter in this section - the "**Statement of Claim**" or "Supervisors' Claim" and the "**Motion for an Interim Injunction**", respectively), in accordance with Section 65W(b) of the Partnerships Ordinance, against the Partnership, the general partner in the Partnership, Company, Delek Energy and Tomer Energy (the Company, Delek Energy and Tomer Energy, hereinafter jointly in this section - the "**Royalty Holders**").

In the statement of claim, the Supervisor petitioned the court to declare that the ROI calculation for the Tamar project will include payments that the Partnership is required to pay to the State under the Natural Resources Taxation Law; to declare that the ROI date for the Tamar project has not yet arrived; to determine the date from when the Royalty Holders will be eligible to receive the overriding royalty at the increased rate (rate of 6.5% instead of 1.5%); and to declare that the Royalty Holders must refund to the Partnership's account the overpaid amounts that they received, with the addition of linkage and interest differentials.

On April 4, 2019, the Royalty Holders filed their statement of defense and a counter claim against the Partnership, the General Partner and the Supervisor (hereinafter in this section - the "Counterclaim"). In the counter claim, the royalty holders allege, among other things, that in the calculation of the investment recovery date in the Tamar project, the Partnership included expenses that were attributed to the calculation, including the financing expenses of the Partnership itself, future expenses of an uncertain amount for disposal and removal of facilities, headquarter expenses of the Partnership, and any expense intended for the project stages after the wellhead. According to the Royalty Holders, after deducting these expenses, the investment recovery date in the Tamar project had already been achieved in August 2015, or alternatively, in 2016 or alternatively again, in 2017. Accordingly, the Royalties Holders petitioned the court to declare which expenses should be included in the calculation of the investment recovery date, and to order the Partnership to re-calculate the investment recovery date accordingly, and the royalties due to the Royalty Holders, and to submit the said calculation to the Royalty Holders.

On October 2, 2019, the Partnership and the General Partner filed their statements of defense, statements of defense concerning the Supervisors' Claim and statement of defense with respect to the Counterclaim filed by the Royalty Holders, in which they argued that both claims should be dismissed.

On April 5, 2021, a preliminary hearing was held, during which the court suggested that the parties go for mediation, and as a result, the parties agreed that Supreme Court Justice (Ret.) Yoram Danziger will act as mediator. As at the date of approval of the Report, the mediation process has not yet concluded.

The Partnership believes, based on the opinion of its legal counsel, that it is more likely than not that the appeal will be dismissed.

(G) Following the decision of the Competitions Commissioner (hereinafter in this section - the "Commissioner"), pursuant to Section 20(B) of the Economic Competition Law, to approve certain terms of the merger between EMG and EMED, under which several agreements that were signed to allow the export of gas to Egypt, as set out in Section 1.7.33(D) above, on September 8, 2019 Lobby 99 Ltd. (Halutz) and Hatzlacha – For Promotion of a Fair Society (R.A.) filed an appeal with the Competition Court at the Jerusalem District Court against the Commissioner (as a respondent) and against EMED and EMG. In brief, the appeal argues that the merger will allow the Partnership and Chevron to block any possibility of importing natural gas from Egypt that would compete with gas produced from the Tamar and Leviathan reservoirs that were owned by them at the time the appeal was filed, and that the conditions imposed under the approval of the merger are not applicable and cannot remedy the competitive damage that may be incurred, according to them, by the approval of the merger. In the appeal, the court was petitioned to revoke or modify the Commissioner's decision.

On December 15, 2020, a preliminary hearing was held on the appeal, and evidentiary hearings were scheduled for June-July 2022.

The Partnership believes, based on the opinion of its legal counsel, that it is more likely than not that the appeal will be dismissed.

(H) On April 23, 2020, a holder of participation units of the Partnership (hereinafter in this section - the "**Petitioner**") filed a class action and motion for certification of a class action against the Partnership, the General Partner of the Partnership, Delek Group Ltd., Yitzhak Sharon (Tshuva), the Company's controlling shareholder, the directors of the General Partner of the Partnership (including the former chairman of the board of directors) and the CEO of the General Partner (hereinafter in this section the "**Motion for Certification**" and the "**Respondents**", respectively), with the Economic Department of the Tel Aviv District Court.

In the Motion for Certification, it is alleged that the Respondents failed to disclose, in the Partnership's reports, the existence of a term in the agreements for the sale of natural gas from the Leviathan and Tamar reservoirs to Blue Ocean (formerly Dolphinus Holdings Limited) (hereinafter in this section - the "Sale Agreements" and the "Buyer", respectively) according to which, in a year in which the average daily price of a Brent barrel (as defined in the Sale Agreements) falls below USD 50 per barrel, the Buyer may reduce the minimum annual quantity purchased under the Sale Agreements to 50% of the annual contractual quantity (hereinafter - the "Reduction Condition"). According to the Applicant, the alleged non-disclosure in the Partnership's reports establishes grounds for a claim under various sections in the Israel Securities Law, by virtue of breach of statutory duty, and negligence.

The main remedy sought in the Motion for Certification is compensation of the class that Applicant intends to represent for the alleged damage it incurred, which is estimated, based on the opinion attached to the Motion for Certification, in the amount of NIS 55.5 million. In addition, the Applicant petitioned to court to order any other compensation in favor of the class, as the court deems fit under the circumstances.

On January 17, 2021, the Respondents filed their response to the motion for certification, together with an expert opinion, in which it was argued, inter alia, that during the period relevant to the motion for certification, the Reduction Condition was not material and there was no duty to disclose it to the public and that there is no causal link between disclosure of the Reduction Condition and the decline observed in the prices of the Partnership's participation units. On January 2, 2022, the Attorney General announced, after being ordered to do so by the court, that at this stage, he did not see fit to institute proceedings; evidentiary hearings in the proceedings. Evidentiary hearings in the proceeding were scheduled for June 2022.

The Partnership believes, based on the opinion of its legal counsel, that it is more likely than not that the appeal will be dismissed.

(I) With regard to the Reduction Condition in the export agreements to Egypt, with regard to which the motion for certification as a class action was filed as described in Section 1.7.38(H), on July 20, 2020 the Company received a demand letter from the Israel Securities Authority to provide information and documents as part of an administrative inquiry conducted by the Authority on this matter. On November 10, 2020, the Partnership submitted a response to the foregoing demand. As at the date of approval of the Report, the Company has not been informed whether a decision has been made to institute administrative enforcement proceedings.

(J) On June 18, 2020, the Partnership and Chevron who held the Alon D license, filed a petition with the Supreme Court, in its seat as the High Court of Justice (hereinafter in this section - the "Petitioners" and the "Petition", respectively). Under the petition, the Court was requested to hand an order nisi instructing the Minister of Energy and Commissioner of Petroleum Affairs to provide reasons why the Minister's decision to dismiss the appeal should not be rescinded, why the license should not be extended or an alternative license granted to the petitioners thereunder, and why the petitioners should not be allowed to exercise their accruing economic rights from the natural gas in the Karish North reservoir, part of which is located in the license areas. An interim order was also sought to prevent the expiration of the license, or alternatively to prohibit the launch of a tender for a new license for the license area (or part thereof) or the granting of such license to a third party pending a decision on the petition, and a preliminary order pending decision on the motion for the interim order. On the same day, a decision was handed ordering the Minister of Energy and the Petroleum Commissioner to file their responses to the motion for an order nisi by June 28, 2020. In this decision, the court denied the motion for a preliminary order, and as a result the Alon D license expired on June 21, 2020.

Further to the foregoing, on June 23, 2020, the Ministry of Energy published a tender for a license for natural gas and oil exploration in Block 72, the area that was covered by the license.

On May 13, 2020, the State filed its preliminary response to the Petition, in which it argued, among other things, that the Petition should be dismissed due to the non-inclusion of Energean as the

respondent. On May 19, 2021, a hearing was held on the Petition at which the parties reached an agreement according to which Energean will be added as a respondent to the proceeding, and will file its response within 60 days, at which time the parties will also inform the court of the progress in the Block 72 tender, on the assumption that by that date, a winner will have been chosen in the tender, which is expected to affect the arguments in the Petition. The court approved the procedural arrangements between the parties, and on August 19, 2021 Energean filed its response to the Petition and on October 25, 2021 the Petitioners filed their response to Energean's response. As at the date of approval of the Report, the Block 72 tender has not yet been decided, and following a petition filed by Energean, on March 16, 2022, the court ordered the hearing to be postponed. As at the date of approval of the Report, no notice of a new date for the hearing has yet been given.

(K) On April 21, 2021, the Israel Union for Environmental Defense (hereinafter in this section - the " Petitioner") filed an administrative petition with the Jerusalem District Court (sitting as an administrative court) against the Israel Tax Authority, the Israel Tax Authority's officer charged with implementing the Freedom of Information Law, Chevron, the Partnership, Ratio, Givot Olam Oil Exploration Limited Partnership (1993), ICL Group Ltd., Dead Sea Works Ltd., and Rotem Amfert Negev Ltd. (hereinafter in this section - "**Original Petition Respondents**"). In the petition, the court was moved to order the Israel Tax Authority to provide the Petitioner with information about the proceeds received from the state's income from Israel's natural resources, as well as general information about reports received by the Israel Tax Authority and how they have been addressed since the Taxation of Profits from Natural Resources Law, was enacted. 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 obtaining the court's permission, the Petitioner filed an amended petition adding to the Original Petition Respondents all partners in the Tamar Project which were not mentioned in the original petition (hereinafter in this section, jointly with the Original Petition Respondents - 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 financial secrecy that applies to information provided to the Israel Tax Authority. A hearing was held on the Petition, and on February 15, 2022, and on February 22, 2022, a judgment was rendered ordering partial acceptance of the Petition, whereby the Tax Authority was required to reconsider its decision not to disclose the information.

(L) On May 3, 2021, Haifa Port Ltd. (hereinafter in this section - "Haifa Port") filed a claim against Chevron, Coral Maritime Services Ltd. (Hereinafter in this section - "Coral"), and Gold Line Shipping Ltd. (Hereinafter in this section - "The transaction for the sale of the balance of the Partnership's interests in the Tamar Project as described in Section 1.7.33(K)] above"), in an amount of NIS 77 million (hereinafter - the "Primary Claim"). 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 Israel Tax Authority that Haifa Port is the 'unloading port', even though the cargo that was unloaded did not, in fact, pass through 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.

On August 31, 2021 Chevron filed a statement of defense and on December 1, 2021, Haifa Port filed a response. At the same time, Chevron filed a statement of counterclaim against the Haifa Port, at the total amount of NIS 4,405,842, comprising a claim for NIS 715,691 in respect of offloading fees and infrastructure fees that were charged in practice and unlawfully by the Haifa port, and a claim for NIS 3,690,151 in respect of berthage fees Chevron was charged for and which was not reduced by 30% in violation of the law, in case of self-pilotage of vessels that passed in the port's premises. On December 1, 2021, Haifa Port filed a statement of counter-defense. A pretrial hearing has been set for November 28, 2022.

The Partnership believes, based on the opinion of its legal counsel, that it is more likely than not that the Primary Claim will be dismissed.

(M) On April 7, 2021, the Partnership together with the other Tamar partners and Leviathan partners, filed a petition against the Natural Gas Council and the Ministry of Energy (hereinafter in this section - the "**Respondents**"). The petition asks to annul the Natural Gas Council (hereinafter in this section - the "Council") decision 5/2020 of December 29, 2020 - Amendment to Council Decision 8/2019 - Criteria and Rates for Operating a Pipeline under a Flow Control Regime (Amendment 2), as

published on January 3, 2021 and set out in 1.7.28(D)Section 1.7.24(D) (hereinafter in this section - 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 October 26 2021 Energean, which was added as a respondent to the petition, filed its response to the effect that the petition is justified, and on October 27 2021 INGL that was also added as a respondent to the petition, filed its response in which it is claimed that the petition was filed in bad faith and lack of integrity due to the concealing of material facts and failure to add parties that might be damaged by the petition, and that the decision which is the subject matter of the petition was made with authority and reasonableness. On November 5, 2021 the respondents on behalf of the state filed their response to the petition, whereby it should be dismissed in limine due to failure to add the gas consumers as respondents; the respondents on behalf of the state also stated that the petition should be dismissed on its merit, since the decision was made with authority and is reasonable on its merit. On November 14, 2021, the court granted the Petitioners' motion to file their response to the response of the State Respondents, and on November 28, 2021 and December 26, 2021, such responses were filed on behalf of the Petitioners. On January 30, 2022, the court ordered the Petition be transferred for hearing before a panel, and a hearing on the Petition has not yet been scheduled.

(N) For further information concerning the proceeding for approval of the arrangement under Sections 350 and 351 of the Companies Law, that takes place in the Tel Aviv District Court, see the chapter "Business Goals and Strategy" in Section 1.7.35 below.

1.7.39. Objectives and business strategy

(A) General

The Partnership's goals, and accordingly its business strategy, is to realize the economic potential of its oil assets in and outside Israel, along with examining the acquisition of additional oil assets, and is exploring possibilities of using new technologies aimed at streamlining the natural gas production and utilization activity. The strategy is implemented mainly by promoting additional developments of the Leviathan reservoir and improving the production and operation of this reservoir, promoting the development of the Partnership's non-producing oil assets, primarily the Aphrodite reservoir, as well as pushing ahead with opportunities to utilize, own, develop and expand the natural gas pipeline infrastructure from the Partnership's oil assets to the domestic market and export markets, including in LNG form.

For this purpose, the Partnership operates, among other things, to increase the demand for natural gas by expanding and integrating the use of natural gas on the domestic market and by exporting natural gas via pipelines and/or by liquefaction and/or compression and marketing on global markets.

In addition, the Partnership is acting to exploit the potential of the gas and/or oil discoveries in its oil assets and/or in new licenses in Israel and/or overseas, if it engages in transactions for acquiring oil assets and/or if they are awarded. Concurrently, the Partnership explores business opportunities related to its operating segments in and outside Israel, including the possibility of entry as a partners in oil assets at various stages of exploration, development and production, and also examines technological developments related to its operating segments.

Furthermore, due to the changes in the energy industry, government policy in Israel and developed countries is to encourage switching to electricity generation using alternative energies, and the desire to promote social and environmental responsibility aspects (ESG) in the Partnership's operations,[93] the Partnership examines possibilities for entry into the alternative energy and blue hydrogen segments, together with trapping and treating carbon emissions, in a way that could be a low carbon alternative for energy consumers.

(B) Natural gas

The Partnership will continue to take measures to realize the economic potential of its oil assets, while examining the acquisition of additional oil assets, including:

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[93] The corporate governance report published on the Partnership's website. For further details, please see: http://newmedenergy.com/wp-content/uploads/2022/02/NewMed-Energy_ESG-Report-_2020-2021.pdf.

(1) Leviathan Project

A. Ensuring the supply of natural gas and condensate from the Leviathan reservoir according to agreements signed, and negotiating and entering into additional agreements for the supply of natural gas and condensate to various potential consumers in Israel and countries in the region, primarily Egypt, Jordan and the Palestinian Authority.

B. Promoting various options for the development of Phase 1B of the Leviathan reservoir and increasing the production rate to a volume of 21 BCM per year, as set out in Section 1.7.4(E)(1)b above in order to make a final investment decision (FID). The development options may include developing and expanding the natural gas transmission infrastructure from the Leviathan reservoir to additional consumers in the target markets, primarily the Egyptian market, increasing the supply volume to the existing liquefaction facility in Egypt and promoting the possibility of liquefying natural gas through a floating liquefaction facility (FLNG) for marketing to global markets.

C. Moving ahead with examining formulation of an exploration prospect for oil purposes in the Leviathan leases.

(2) Block 12 - Cyprus

Promotion of the development plan of the Aphrodite Reservoir in Cyprus, as stated in Section 1.7.5(F) above, and marketing natural gas to Egypt for the global LNG market. In parallel, the Partnership is examining additional development alternatives, including the option of combining development of the Aphrodite reservoir with existing facilities and/or development plans for adjacent assets, including those of the Leviathan reservoir.

(3) Optimization of infrastructures

The Partnership is exploring, together with its partners in the different oil assets and other infrastructure owners, options for optimization of the existing infrastructure to the different projects, including joint transmission infrastructure to export natural gas to various target markets, among other things, for the purpose of reducing transmission costs and increasing the feasibility of promoting different projects. Thus, for example, the Partnership is examining, together with its partners in the Leviathan Project and the Aphrodite Reservoir, the option of constructing a joint pipeline or using existing infrastructures in Egypt to transmit natural gas to consumers in Egypt. For information about the possibilities of transmitting the gas to Egypt under review by the Partnership, see Section 1.7.13(B)(4) above.1.7.13(B)(4)

(4) Oil and gas exploration

Continued exploration of natural gas and oil in the Partnership’s oil asset and identifying business opportunities in new oil assets, mainly in countries in and around the Mediterranean Basin. In this context, the Partnership is negotiating for entry into exploration licenses in Morocco.

(5) Increasing the demand for natural gas

The Partnership is acting to increase demand for natural gas, among others, as follows:

A. Transportation: The Partnership is working to promote projects for increasing the use of natural gas for transportation, including for compressed natural gas driven public transport and trucks, and electric driven transportation such as buses, trains and electric cars in the Israeli transportation market. The Partnership estimates that, taking into account that the consumption of fluid fuels for transportation in Israel in 2019 is estimated at a volume equivalent to 3.6 BCM of natural gas per year, such projects could lead to an increase in the potential demand for natural gas.

B. Conversion of coal-fired power plants to natural gas: The Partnership estimates that continuation of the government's policy to reduce the use of polluting coal for generating electricity, including the cessation of all coal-fired electricity generation by 2025 in favor of switching to natural gas for generating electricity, is expected to increase natural gas consumption in Israel by significant amounts, estimated at 4.3 BCM per year.

C. Additional industries: To the best of the Partnership's knowledge, various entrepreneurs are testing and promoting projects in Israel, in industry where natural gas is used as a raw material, such as the production of ammonia and methanol, as well as in energy-intensive industries. The Partnership estimates that the establishment of plants in Israel in these industries, if they are established, may lead to a significant increase in the volume of local natural gas consumption.

(C) Alternative energies

(1) Renewable energies

In July 2021, an amendment was published to the TASE bylaws allowing oil and gas partnerships, under certain conditions, to integrate in their operations investments in projects in the renewable energy segment.[94] Accordingly, the Partnership is exploring options for entry into the renewable energy segment in the global market, using its knowledge regarding the regional market, including entry into joint ventures and/or acquisition of existing operations platforms.

(2) Production of blue hydrogen

Examination of the possibility of producing blue hydrogen from natural gas from the reservoirs in which the Partnership is a partner,, together with carbon capture and storage. Hydrogen, which in principle does not emit pollutants, can be a low-carbon alternative to energy consumers and assist, among other things, in solving the climate crisis, and thus, interest in production thereof is increasing. The Partnership is reviewing various technologies aimed at optimizing natural gas production and use in a manner that will lead to a significant reduction in emissions associated with its production and incineration, as well as carbon sequestration. In this context, the Partnership is examining a possible blue hydrogen project in which natural gas is split into hydrogen and CO_2, while the CO_2 remaining in the splitting process is captured and stored in dedicated underground storage sites. It should be noted that hydrogen is a clean fuel that when burned in an dedicated incinerator emits only steam and is currently considered one of the main foundations for the existence and prosperity of a low-carbon economy.

The scope and diversity of the Partnership's operations requires investment of substantial financial means, among others, to establish and deepen its commercial, technical, financial, legal, regulatory knowhow and abilities, etc. Therefore, the Partnership intends to consider using the range of means available to it for raising capital, by way of raising debt and/or equity, in addition to using future surplus revenues from the Leviathan Project and its surplus cash.

(D) Restructuring transaction

On May 4, 2021, the general partner and the limited partner petitioned the Tel Aviv District Court, pursuant to Sections 350 and 351 of the Companies Law, for approval to convene a general meeting of unit holders to approve an arrangement mainly for exchanging all the issued participation units with ordinary shares of NewMed Energy Plc, a new company incorporated in the UK (hereinafter - "**NewMed**") and the limited partner of the Partnership, so that upon completion of the arrangement, the Partnership will become a private subsidiary partnership of NewMed, and NewMed's shares will be listed for trading in parallel on the TASE and the London Stock Exchange (hereinafter in this section - the "Petition" and the "Arrangement", respectively). On December 27, 2021, the District Court handed a judgment that was attached to the Company's immediate report of December 27, 2021 (Ref. No.: 2021-01-185562) approving the petition to convene a general meeting of unit holders to approve the arrangement, and it also stipulated that the Company's right to overriding royalties from the Partnership will not require repeated approvals in the future.

On February 23, 2022, an appeal on the judgment was filed with the Supreme Court, together with an injunction to stay its execution by the holders of the participating units in the Partnership. The hearing on the appeal was scheduled for June 27, 2022, and as at the date of approval of the Report, no decision has yet been handed on the motion to postpone implementation of the judgment.

It is emphasized that, the approval and execution of the Arrangement is subject, among other things, to obtaining regulatory approvals in Israel and abroad, and is subject, among other things, to the approval by the general meeting of the participating unit holders, publication of prospectuses in Israel and the UK, and obtaining approvals and completing additional actions, the feasibility of which is uncertain, and therefore there is no certainty that the Arrangement will be approved and/or executed.

It is clarified that the goals and strategy of the Partnership are general intentions and goals, and therefore, there is no certainty that they will be realized, among other things, due to changes in market conditions, geopolitical changes, regulatory and tax law changes, changes in priorities due to the results of the operations in the Partnership's projects, as well as other developments, unforeseen events, the court decision in the appeal filed in connection with the restructuring, and the risk factors set out in Section 1.7.41 below. It is further clarified that realization of the above goals and strategy is subject to approvals of the competent institutions of the Partnership which have not yet been received, including the general meeting of the unit holders, as well as approvals from third parties.

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[94] https://maya.tase.co.il/reports/details/1384631.

1.7.40. Insurance coverage

From time to time, the Partnership purchases insurance policies as is customary in the energy sector for exploration, development and production of natural gas, with the changes as required in the law, regulation (in Israel and abroad), the terms and conditions of the licenses and leases, requirements of the financing entities and the scope of the Partnership's activities and exposures in Israel and abroad.

Part of the insurance cover is made under collective policies that include a number of policyholders and cover the assets and liabilities in their various activities of the Partnership, and this only against some of the possible risks, as is customary for exploration, development and production of natural gas and its products, all subject to the provisions in this section. The insurance cover also covers, inter alia, expenses for loss of control of well, property damage and certain consequential losses, contracting work risks during the development of the assets (including during maintenance work related to the development of the Leviathan Reservoir) and third party liabilities for bodily injury and property damage due to drilling, construction and production operations, including pollution damage caused by accident.

It should be noted that the Partnership and Chevron purchased insurance cover for physical damage to EMG's property under an all risk policy as well as in a policy for insurance of war and terror risks. Furthermore, the Leviathan Partners have taken out insurance coverage for interruptions in the supply of gas caused by physical damage to the Egyptian transmission pipeline in Sinai, due to acts of war and/or terror.

Some of the insurance policies listed above were drawn up independently and some as part of the Operator's insurance policies. The insurance policies are subject to mortgage agreements and assignment of rights according to financing agreements that are engaged from time to time.

In addition, that from time to time, the Partnership monitors changes in the value of the policyholder's property and amounts of consequential damages due to damage to the insured property and/or due to the property of the customer and/or supplier, to adapt the scope of insurance purchased to the exposure relative to the cost of the insurance and the insurance available internationally for the energy sector; consequently, the Partnership can decide to change and/or reduce the coverage purchased and/or the amount of the insurance purchased and/or can decide not to purchase any insurance for one risk or another.

It is further noted that the Partnership engaged in an agreement with the Company, under which the Company provides performance collateral in favor of the Republic of Cyprus for the Partnerships' operations in Block 12, as set out in Section 1.7.5(C)(11) above.1.7.5(C)(11) For further information, see Section D in Regulation 22 in Chapter D of the Report.As a precondition for providing the foregoing collateral, the Partnerships were required to purchase additional insurance to sufficiently satisfy the Company, over and above its customary insurance cover during the drilling stage, to cover higher third party liability limits and expenses pertaining to loss of control of well, including cover for bodily injury and property damage and cleaning costs incurred in accidental pollution risks.

For further information regarding the risks due to the absence of insurance coverage, see Section 1.7.41(K) below.

1.7.41. Risk factors

Other than the risk factors to which the Company is exposed as set out in Section 1.22 below, the Company's operations in the energy sector are exposed to the following risks:

(A) <u>The Covid-19 pandemic</u>

As described in Section 1.7.2(G) above, as at the approval date of the report, it is not possible to assess how the Covid-19 Crisis will develop in the coming years, and the extent of its effect on the global and local economy, and the demand and price of natural gas and other energy products, in the long term. REF _Ref36569295 \w \h Under these circumstances, the Covid-19 Crisis constitutes a global macro-economic risk creating uncertainty concerning future economic activity worldwide and in the local market, and concerning the expected impact on financial markets, interest rate margins, currency rates, and energy commodity prices; thus, the Covid-19 Crisis may adversely affect numerous industries, including the energy segment in which the Partnership operates.

Furthermore, if the Covid-19 crisis deteriorates, the restrictions and measures that may be adopted by the Israeli government and other governments for coping with the pandemic, could have a material

adverse effect on the Partnership's business and work plans. As a result, delays may occur in the entry of foreign experts and in the supply of special equipment in Israel, due to restrictions on the movement of citizens between sites and countries and restrictions on production or transportation in various countries, which may, among other things, disrupt routine production and the said work plans, and even incur unforeseen additional costs. In view of the foregoing, despite the preventive measures adopted by the partners in the Leviathan Project, the operation of the reservoir may be harmed.

(B) Inconsistencies in the linkage components in the natural gas price formulas in the supply contracts

The agreements for the supply of natural gas fix the price of gas according to price formulas that include various linkage components, including linkage to the Brent price per barrel, to the electricity generation tariff, and to the NIS/USD exchange rate. In a large part of the natural gas supply agreements that the Partnership has entered into, price floor limits were set alongside the price formulas, that limit to a certain extend the exposure to volatility of the linkage components. However, there is no certainty that the Partnership will also be able to set such price floors in new contracts that it will sign in the future.

Furthermore, a decrease in Brent prices and/or a decrease in the electricity generation tariff and/or an increase in the NIS/USD exchange rate (devaluation of the NIS against the USD), may adversely affect the Partnership's income from existing and future gas sales agreements.

It is noted that the frequent methodology changes made by the Electricity Authority in the method of calculation of the power generation tariff makes it difficult to forecast and could lead to dispute between the gas suppliers and customers regarding the method for calculating. It is noted in this context that, for some of the IPPs (including plants sold by the IEC, the Israeli Electricity Authority has applied regulation referred to as SMP (System Marginal Price), according to which the wholesale electricity price is determined every half an hour according to the marginal cost of production of an additional KW/-hour in the sector, based on half-hour tenders conducted by the power grid manager between the various IPPs, every day. This pricing method may affect the prices of natural gas to be sold by the Partnership to the IPPs in the domestic market, in the event that the gas prices in future contracts are linked to such pricing.

(C) Changes in demand for and prices of energy products

The demand for natural gas of the Partnership's customers and its price are affected, among other things, also by significant changes in the prices of oil, natural gas, including LNG, and of other sources of energy, including coal, renewable energy sources and other substitutes to the natural gas sold by the Partnership, both in the domestic market and international markets. Consequently, for example, low LNG prices in the international markets may lead to an increase in the import of LNG to Israel and/or to the regional markets, to a decrease in demand for natural gas in the markets relevant to the Partnership, and harm the Partnership's revenues from the Leviathan Reservoir. An increase in supply, decrease in demand or decline in the prices of alternative sources of energy to natural gas, including coal, renewable energy sources and other substitutes) in the domestic market or in the global markets may reduce demand from existing and potential customers and lead to a drop in the price of the natural gas sold by the Partnership, which may adversely affect the Partnership, its financial position and the results of its operations.

Reforms and decisions relating to the electricity sector, including changes in environmental laws, may also reduce the demand for natural gas sold by the Partnership and/or affect its price.

In addition, major events in the global economy, such as an economic slowdown, recession, inflation, irregular volatility in foreign exchange rates, trade wars, impairment of the efficient functioning of the global manufacturing and supply chains in general, and in the segments of engineering, manufacture and supply of components for the oil and gas industry in particular, as well as weather conditions, including global warming, the outbreak of epidemics such as Covid-19 and natural disasters, may also reduce the demand for the natural gas sold by the Partnership and/or affect its price and/or adversely affect the Partnership's revenues from existing and future gas sale agreements, as well as decisions concerning investment in new natural gas projects and/or expansion of existing projects.

(D) Global macroeconomic factors

The Partnership's ability to sell the natural gas it produces, as well as signing of new long-term agreements for the sale of natural gas, and to make investment decisions with respect to new natural gas production projects and/or expansion of existing projects, is dependent, among other things, on various global macroeconomic factors or major events in the large economies, such as the U.S., China and the EU. Among such macroeconomic factors that may have a significant impact on the Partnership's business are, among others, changes in growth rate or a global economic slowdown,

global recession, global inflation, irregular volatility in foreign exchange rates, global trade situation, a rise in interest margins, efficient functioning of the global manufacturing and supply chains in general, and in the engineering, manufacture and supply segments of components for the oil and gas industry in particular, in climate and weather changes, including global warming, which contributes to the creation of warmer-than-expected weather conditions, as well as trade wars, such as the US-China trade war, which has led to a slowdown in economic activity; natural disasters, the outbreak of epidemics such as the Covid-19, and global political and social processes that could destabilize regimes. Global macroeconomic factors of this type, which in most cases are unforeseeable, may cause significant harm to the global economy, increase uncertainty in the markets, unravel the confidence of investors, the business community and consumers, and result in a decline in global consumption of energy products, including oil and natural gas, and make it difficult to refinance. Naturally, the Partnership is unable to influence factors with global impact of this type, and it is difficult to assess and estimate how such factors will evolve and affect the Partnership's business.

(E) Geopolitics

The security, economic and political situation in the Middle East in general and in Israel, Egypt and Jordan in particular, could affect the willingness of the countries and foreign entities, including in the Middle East, to engage in business relationships with Israeli organizations, including the Partnerships together with their partners in the various projects. Consequently, deterioration in the geopolitical situation in the Middle East and/or deterioration in the relationships between Israel and its neighbors in the relevant target markets, for security and/or political and/or economic reasons, may substantially impair the Partnership's revenues from its agreements for the export of gas to Egypt and Jordan, i.e. to Blue Ocean and NEPCO, which are its main customers, and also the Partnership's ability to promote its business with these countries and entities, and to export gas to neighboring countries.

(F) Difficulties in obtaining financing

In order to make progress in additional development stages in the development of the Leviathan reservoir and/or the development of additional reservoirs in the future, such as the Aphrodite Reservoir, if it is decided to implement them, the Partnership may be required to raise additional capital or financing, including through by raising bank debt or debentures by way of a private or public offering.

Raising of additional financing may encounter difficulties, especially in the event of an economic crisis, reflected in a decrease in available sources of credit and in the tightening of the requirements of the financing entities for providing such financing. As at date of approval of the Report, against the backdrop of the Covid-19 crisis, a grave global economic crisis is liable to develop that will adversely affect the Partnership's ability to raise capital.

(G) Competition for gas supply

The Partnership is exposed to competition in the supply of natural gas to the domestic market and to export markets, which has intensified significantly recently, including competition with existing competing gas reservoirs, or new reservoirs that may be discovered in the future in Israel or in neighboring countries, and the competition posed by alternative energy sources such as coal, liquid fuels (such as diesel oil and fuel oil) and renewable energy sources (such as solar energy and wind generated energy). Intensification of competition may lead to a decline in the demand for and price of natural gas that are set in new supply agreements, which may have a material adverse effect on the Partnership's revenues and business.

In recent years, several significant gas reservoirs have been discovered in Israel, which are far greater than the Ministry of Energy's estimates for demand for gas in the domestic market. In Egypt and Jordan, to which the Partnership exports natural gas under the Blue Ocean and NEPCO supply agreements, the Partnership is exposed to competition that may intensify in the future from reservoirs that have been discovered (in Israel and the area, such as the Zohr natural gas field in Egypt) or new reservoirs to be discovered in the future, as well as from suppliers of alternative energy products.

Following the sale of the Partnership's remaining rights in the Tamar and Dalit Leases, which was completed in December 2021, the Tamar reservoir and its partners became competitors of the Partnership. As at date of approval of the Report, in addition to the Leviathan and Tamar reservoirs, which are at present producing in Israel, the Karish and Tanin reservoirs, which are owned by Energean, are in advanced stages of development and to the best of the Partnership's knowledge and based on Energean's press releases, one of them is expected to commence gas supply in the

third quarter of 2022. These reservoirs, which are organized under a single production system, are expected to serve as an additional significant natural gas supplier.

As at the date of approval of the Report, the gas produced from the Leviathan reservoir was jointly marketed by all of the Leviathan partners. However, under the JOA each partner is entitled, subject to certain conditions, to take its share of the gas produced from the reservoir and market it separately from the other partners, which, if it occurs, may lead to increased competition.

In view of the increased scope of demand for natural gas in the local market, the entry of other competitors to the domestic gas market and the restrictions on the quantity of gas that may be exported and incentives given for the development of renewable energy sources, the Partnership may encounter significant competition in selling the gas attributed to its oil assets in the future. For further information concerning the competition in the area of area of activity, see Section 1.7.15 above.

(H) Export restrictions

The results of the Partnership's operations are dependent, to a great extent, on the possibility of exporting gas from the natural gas reservoirs in which the Partnership is a partner, and selling it in regional and international markets. The government decisions concerning export, as set out in Section 1.7.28 above, restricts the volume of gas that may be exported. If an additional decision is made regarding further reduction of the permitted exportable volume of natural gas, it could cause significant harm to the Partnership's business. Furthermore, the possibility of gas export and sales depend on several factors with high uncertainty, such as the foreign relations of the State of Israel and the Republic of Cyprus with countries that are potential target markets for exporting of gas, the establishment of an export and transportation system and receipt of relevant regulatory approvals, and the proper functioning and economic viability of establishing this system, identification of potential customers in the international market, and financing investments in development and establishment of the export system, and competition with local and international suppliers in the relevant target markets.

(I) Dependence on the development and proper function of the National Pipeline

The Partnership's ability to supply the gas produced from its assets to existing customers and other potential customers in Israel and for export, is dependent, among other things, on the development and integrity of the National Gas Transmission pipeline, the regional distribution networks and pipelines connecting consumers in neighboring countries (hereinafter jointly in this section - the "**Pipelines**"). Any significant malfunction or disruption in the Pipelines that it uses and/or that it will use in the future, may limit the Partnership's ability to supply gas to its customers, while exposing it to loss of revenues and legal proceedings that may have an adverse effect on the Partnership's business and the results of its operations. Furthermore, any delay in executing the development and expansion plan for the gas Pipelines system may impair the Partnership's ability to meet its forecasts relating to its natural gas sales.

(J) Operating risks

Exploration, development and production of natural gas in deep water involve numerous risks, including, among others, uncontrolled gushing from the well, explosion, collapse and conflagration of the well, malfunctions, accidents and other events that could impair the performance of the production and delivery systems. Lower than expected performance or efficiency, contractor or operator mistakes, work disputes or slowdowns, injuries, harm to health or fatalities, delay or failure in obtaining permits, failure to obtain approvals or permits, violation of requirements for permits or licenses, lack of workforce, equipment or spare parts, delays in transporting equipment or spare parts, security breaches, and cyber attacks or acts of terror, as well as natural disasters.

The occurrence of any such events, may substantially reduce or halt the production or supply of natural gas, adversely affect the operating timetables and budgets, impair the quality of the hydrocarbons sold, and as a result lead to the imposition of penalties due to non-supply and even the termination of the Partnership's existing gas sales agreements.

In addition, drilling in deep water requires the use of advanced drilling technologies, and generally takes longer and its costs are higher than its onshore equivalent, due to the considerable complexity of such operations and the need to hold and maintain long extensive supply systems.

(K) Inadequate insurance coverage

Although the Partnerships have insurance policies to cover possible damages with regard to their operations, these policies do not cover all potential risks and therefore the insurance payout may not cover the full scope of damages and/or all potential losses (for third-party damages (including while

crossing over infrastructures) and for potential loss of income, as well as costs for the establishment and rehabilitation of the production system in the case of an event that causes damage to the production system, war, cyber, out-of-control well and damage to any property in the well). In addition, there are certain insurances that the Partnership may decide not to purchase at all, for various reasons, such as lack of financial feasibility, as well as, deep-water drilling that requires the use of advanced drilling technologies, often requiring more time and higher costs than the onshore equivalent, due to the considerable complexity of such operations and the need to hold and maintain extensive supply systems.

In addition, the Partnership's activities in Jordan expose the Partnership to risks that can not be insured at all or can only be insured partially, including, among others, for damage to property of a supplier and/or customer and/or breach of agreements and cancellation of agreements for grounds forbidden under the agreement and/or a change in legislation and/or guidelines of competent authorities in Jordan and Egypt, which may harm the Partnership's businesses and property.

Consequently, in the event of a large-scale loss or damage, the insurance amounts may not cover the full amount of the damages incurred by the Partnerships and/or third parties, including while crossing infrastructures, and with respect to environmental pollution damage. These risks, if realized, may cause delays and setbacks in the Partnership's exploration, development and production operations, damage to the Partnership's business or have a material adverse effect on the Partnership's business, financial position, results of operations or forecasts, and in extreme cases may even cause the Partnership to default payment. It is noted that the decision regarding the type and scope of insurance policy is usually made separately for each operation, taking into account, inter alia, the type of prospect in which the drilling is expected to take place, the cost of insurance, nature and scope of the proposed coverage, regulatory requirements, ability to obtain appropriate cover on the insurance market, available capacity for the Partnership and Project in the insurance market, as well as the anticipated risks.

(L) Establishment risks, dependence on contractors, and providers of equipment and professional services

To date there are no suitable contractors in Israel involved in most of the operations conducted in the Partnership's assets; therefore, the Partnership, through the Operator, is required to contract with foreign contractors for the necessary services. Furthermore, there are relatively few drilling rigs that are capable of drilling and carrying out development operations at sea in general, and in deep water in particular, and there is no certainty that an appropriate vessel will be available for carrying out the foregoing operations on the dates set for them. Therefore, these operations could involve high costs and/or significant delays in schedules set in the work plans. Furthermore, most of the suitable equipment and human resources for these operations cannot be ordered for short periods, therefore it is often necessary to order equipment and professional human resource services from abroad, long in advance, which is expensive and causes significant delay in operations. Contracting with foreign contractors for offshore oil and/or natural gas exploration, as well as offshore development and production (including maintenance and repairs contractors) could sometimes be difficult, also due to the security and political situation in the State of Israel. It is noted that the price of services and costs of exploration, development and production operations is determined by market supply and demand, which are affected inter alia by commodity prices, regulatory changes, the supply of alternative products and the level of activity in the industry.

(M) Exploration risks and dependence on partial and estimated assumptions, assessments, and data

Oil and gas exploration involves high risk, among others, that failed exploration and appraisal drillings could result in the loss of the entire investment. The geological and geophysical means do not provide an accurate forecast as to the location, shape, features or size of oil or gas reservoirs; therefore, determining exploration prospects and estimating the size of existing reservoirs and proven gas reserves are based, to a large extent, on partial or approximate data and on assumptions. It is obviously impossible to ensure that oil or gas will be found at all as a result of exploration operations, or that it will be commercially viable for production and exploitation. Furthermore, there is insufficient direct geological and geophysical information regarding some of the areas in the Partnership's oil assets; this is due, inter alia, to the limited number of drillings conducted in these areas and/or at relevant depths.

The estimated volumes of resources in the Leviathan on-production oil and gas fields are constantly monitored and may be revised, based on the Operator's work, opinions of independent external resources valuators and additional information accumulated regarding the reservoirs. The assessment of the volumes of the resources in the Partnership's oil assets is subjective and is based

on various estimates and assumptions and on incomplete information, and therefore the estimated reserves with respect to the same reservoirs by various experts could be significantly different.

In view of the aforesaid, it is noted that the information appearing in the Report with regard to the volumes of resources attributed to the Partnership's oil assets is an estimate only, and should not be considered as information on exact volumes of recoverable natural gas and petroleum liquids from the various reservoirs. It is further noted that, the estimate of natural gas reserves is used for setting the amortization rate of the producing assets in the Partnership's financial statements, and in view of the significance of the depreciation of assets, the foregoing changes may have a material effect on the results of the operations and financial position of the Partnership.

In addition, the discounted cash flow figures that are attributed to the Leviathan Project and are included in this report are based on various assumptions, most of which are not in the Partnership's control, among others, with regard to the volumes of gas and condensate that will be produced, and the production rate, and sales and sale prices, regarding which there is no certainty that they will materialize. For further information concerning the key assumptions underlying the Leviathan project cash flows, see the Leviathan resources report included in this report by way of reference.

(N) Estimated costs and schedules and potential shortage of means

Estimated costs and schedules for exploration, development, operations and maintenance, and estimated schedules for their execution, are based on past experience and general forecasts and they could therefore contain significant variances, including due to events not in the Partnership's control. In addition, exploration and development plans could change significantly due to the discoveries made in such explorations, causing significant deviations in schedules and estimated costs of these operations. Malfunctions during exploration, development, production or maintenance, and other factors, could extend the operations far beyond schedule and actual expenses for completing such operations could be significantly higher than forecast.

(O) Forfeiture of the Partnership's rights in its oil assets and the financial robustness of the partners in the oil assets

Exploration, development, expansion and maintenance of the supply capacity in the Partnership's oil assets involve substantial financial costs that the Partnership may not have the means to cover. According to joint operating agreements, failure to pay the Partnership's share in the approved budget for executing the approved work plan on time constitutes a breach which could lead to forfeiture of the Partnership's rights in the oil asset for which the operating agreement and/or agreements that applies and/or apply.

In addition, in a situation where other parties to the JOAs fail to pay the amounts that they were required to pay, the Partnership may be required to lay out amounts that considerably exceed its pro rata share in such oil assets. Due to the particularly high costs of offshore drilling and development, such additional costs could prevent the Partnership from meeting its financial liabilities, resulting in forfeiture of its rights in the oil assets.

In view of the forgoing, the financial robustness of the partners in the Partnership's oil assets may have repercussions, among other things, on its cash flows.

(P) Dependence on other regulatory approvals

The exploration, development and production operations in the Partnership's oil assets require that it obtain numerous regulatory permits, primarily from the competent authorities pursuant to the Oil Law and Natural Gas Sector Law, as well as permits from state institutions, including the Ministry of Defense, Ministry of the Environment, Tax Authority and planning authorities, Ministry of Agriculture, Ports Authority and Ministry of Transportation (hereinafter in this Section - the "**Permits**"). The Permits required for the ongoing operation in the oil assets set out valid terms and conditions, a large part of which are not in the control of the Partners. A breach of these terms and conditions could lead, among others, to cessation of production from the on-production reservoirs, imposition of restrictions on various operations and expose the partners in the oil assets to monetary, administrative and punitive sanctions. The partners in the oil assets have no control regarding the new licenses that might be required in the future or the conditions that will be set in them and therefore there is no guarantee that they will be able to obtain the required approvals or comply with their conditions.

(Q) Regulatory changes

As a rule, the scope of regulation applicable to the Partnership's operating segment is constantly growing.

The tightening of the regulation applicable, among others, to oil and gas exploration, development and production, terms for supply of natural gas, natural gas exports, taxes on oil and gas profits, regulations for allotting new petroleum rights, transferring and pledging petroleum rights, insurances and guarantees, restrictive trade practices, control of gas prices, and more, may adversely affect the Partnership's business. Furthermore, if additional legislative changes are introduced, in the regulation under the Gas Framework or relevant policies, or if there is any delay in obtaining any regulatory approval, or if the Partnership or its customers do not receive the required regulatory approvals or fail to comply with their conditions, the Partnership or its customers may not be able to meet their obligations under the existing natural gas sales agreements.

For further information regarding the main regulations applicable to the Partnership's operations as of the date of approval of the Report, see Sections 1.7.19(B) and 1.7.20 above.

(R) Possibility of price controls on natural gas

As set out in Section , the Partnership is subject to the Commodity and Service Price Control Order applying control on the gas sector with regard to reporting profit margins and prices. Under the order, the price and profit margins of the natural gas sold must be reported semi-annually. If such price controls are introduced and a maximum price is fixed that is lower than the prices set in the natural gas sales agreements of the Partnership, if such fixed price will be legally upheld, this could have an adverse effect on the businesses of Partnership, the volume of which derives from the maximum price that is set.

(S) Appeal against the judgment dismissing the motion for certification as a class action concerning the price of gas in the IEC agreement

On September 30, 2021, an appeal was filed with the Supreme Court against the District Court's judgment denying the motion of an electricity consumer to certify a class action alleging that the price of gas sold from the Tamar reservoir to IEC is unfair, exorbitant and constitutes an abuse of the status of the Tamar partners as a monopoly in the supply of natural gas in Israel. If the appeal is upheld in a final judgment against the Tamar partners, this could have a material adverse impact on the Partnership, which is responsible towards the buyers of its remaining rights in the Tamar project for obligations in connection with this appeal, as outlined in Section 1.7.34(A) above.

(T) Environmental regulation

In their operations, the Partnerships are subject to various laws, regulations and guidelines relating to environmental protection, which refer to diverse issues such as: Oil or natural gas leaking into the marine environment, release of pollutants and various of types wastes (sewage, residue from drilling equipment, sludge, cement, etc.) and chemicals used in the various stages of the work into the sea, emission of pollutants into the air, light of noise nuisances, establishing pipeline infrastructure and related facilities on the seabed. Furthermore, the Partnership is required, through the assets operator, to obtain approvals from agencies authorized under the Petroleum Law, the Natural Gas Industry Law and other laws (such as environmental protection laws) for the Operator's operations.

Failure to comply with the foregoing environmental regulatory provisions could expose the Operator, the Partnership and its partners, as well as their officers, in the various oil assets to diverse enforcement measures, including lawsuits, fines and various sanctions, including criminal, and also to delay and even shut down the Partnerships operations. In addition, the Partnership may be held accountable for the actions of others, such as the Operator or third party contractors affiliated to the Operator, and pollution relating to the Partnership's facilities or emanating from its operations.

In addition, oil and natural gas exploration and production in deep water involve various risks, including the emission of environmentally hazardous materials and waste, as well as the exposure of people to these hazardous materials and waste. As a result, the Partnership may be held liable for any or all of the consequences arising from the risk of emission of or exposure to such hazardous materials and wastes.

As noted in Section 1.7.19(B)(6) above, in September 2016, the Ministry of Energy, jointly with the Ministry of Environmental Protection and other government ministries, published directives for regulating the environmental aspects involved in offshore oil and natural gas exploration, development and production. The foregoing directives could have an effect on the costs and the way the Partnerships operate, the scope of which as of date of approval of the Report cannot be estimated.

It is not at all certain whether the costs required of the Partnership with regard to the existing and expected legislation, regulation and directives relating to environmental protection and with respect to the consequences arising from emissions of substances into the environment, will exceed the amounts earmarked by the Partnership for these purposes, or that these costs will not have a material adverse effect on the financial position of the Partnership and the results of its operations. It should also be noted that the interpretation and enforcement of environmental laws and regulations vary from time to time, and may become more stringent in the future. For further information concerning the provisions of the law and instructions of competent authorities on environmental matters that apply to the Partnership and with regard to material legal and administrative proceedings in connection with the environment, see Sections 1.7.19(B) and 1.7.19(G) above, respectively.

(U) The climate crisis

The climate crisis is directly and indirectly affecting the Partnership's operations. Directly, the intensification of climatic events and their increasing frequency, whether they occur in the areas of the Partnership's assets or in areas through which the supply chain to such assets pass may, among other things, disrupt, delay and increase the costs of the operations in the assets. Indirectly, in recent years there has been increasing regulatory intervention aimed at reducing greenhouse gas emissions and promoting the use of renewable energies, all as part of the government's declared policy to deal with the climate crisis, which is prevalent mainly among developed countries. Such intervention is reflected, inter alia, in the goals set for reducing the use of fossil fuels in favor of increasing the use of renewable and clean energy, and is implemented, among other things, by providing positive incentives for producers and consumers of renewable energy and setting negative incentives for producers and consumers of fossil fuel energy (for example the imposition of a "carbon tax"). For further information regarding decisions and announcements published on this issue by the Israeli government and government ministers, see Section 1.7.29 above.

Regulatory intervention on this issue, which may be reflected, among others, in international agreements, legislation and other regulatory measures may have a material adverse effect on the Partnership's business and its financial results, and may cause, among other things, a substantial increase in expenditure required to comply with the new requirements and to substantially increase competition from suppliers of renewable energies.

In addition, the actions of organizations and activists that oppose the production and use of fossil fuels may adversely affect the Partnership's reputation and cause legal and other expenses that will be required in order to cope with such activity and its consequences.

(V) Dependence on weather and sea conditions

Offshore operations are exposed to a variety of operational risks that are unique to the marine environment, such as capsizing, collisions and damage or loss caused by adverse weather conditions and sea conditions. These conditions can cause significant damage to the facilities and disrupt the operations. In addition, rough seas and stormy weather could cause damage to the production and transmission systems and to the exploration equipment, and delay schedules of offshore work plans and extend the time frame for their completion. Such delays could increase expected costs and could also cause non-compliance with mandatory schedules to which the Partnership is committed.

(W) Information security and cyber risks

The partners in the oil assets of the Partnerships, including the Partnerships and the Operator (directly or through sub-contractors) (hereinafter in this section - the "**Companies**"), are dependent on their information systems for their operations. Therefore, for example, production operations from the Leviathan reservoir involve the use of industrial control systems for supervision, control and data collection in industry (hereinafter - "**ICS**"), which monitor and control their large-scale processes including, inter alia, monitoring of the natural gas and condensate transmission pipeline. ICS based systems are exposed to a risk of cyber attacks. Furthermore, the Partnership and the Operator depend on computer systems, including IT and infrastructure systems, for processing and documenting financial and operating data, communicating with workers, advisors and business partners, analysis of seismic, geological and engineering data, estimating oil and gas reserves and other activities related to the Partnership business. The Partnership's business partners, including suppliers, customers and financial institutions, are also dependent on computer systems, including IT and infrastructure systems. As such dependency increases, the potential exposure to cyber threats, both intentional and unintentional, also increases. In addition, there has been an increase in the severity of cyber threats worldwide in terms of their sophistication and complexity, particularly at this time when, against the backdrop of the Covid-19 crisis, many organizations have transitioned to

operating primarily via remote connection to organizational networks, which create exposure to unauthorized access.

Malfunction and/or failures in computer systems, including in ICS, IT, and infrastructure systems and information security failures, hacking into the IT systems of corporations or of outside entities or internal entities that have, among other things, remote access to systems, infrastructures and information, may enable unauthorized access for the purpose of misusing the Partnership's assets, and causing deliberate harm to IT systems, and the infrastructure and information systems of the corporations, which may cause damage to the administration networks of the Partnership and the Operator, leaking of information to unauthorized entities, disruption of the information in the systems and damage to the integrity of the information and disruption of ICS processes. Damage to the ongoing operation of the systems that support business activities, in extreme cases, may even cause disruption or discontinuation of the supply of natural gas, loss of information, and incur material costs for restoration of the IT systems, thereby having a material adverse effect on the Partnership's business, financial position, operating results or capabilities.

The Partnership acted to implement the guidelines of the Privacy Protection Authority, including registration of databases. In addition, the Partnership is acting to implement the recommendations of the National Cyber Directorate (the "Corporate Defense Methodology" and ongoing recommendations), for effective management of information security and cyber protection. The Partnership has established an information security and cyber protection policy which defines the Partnership's outlook regarding its cyber and information security defense system, and is taking measures for implementing this outlook in organizational procedures and procurement of systems, infrastructures and services.

The Partnership acts, in normal times, to increase the level of the employees' awareness of aspects of cyber and information security, including phishing attacks, designated training and remote working rules. In addition, the Partnership receives 24/7 monitoring and control services, 365 days a year from a third party, which are intended to flag irregular activity on the Partnership's network.

It is noted that the Partnership does not have access to the IT systems of the Operator and of its other partners in the oil assets, and in this regard, it does not have control over the central ICS systems which monitor and control the production operations that are under the Operator's responsibility and control. To the best of the Partnership's knowledge, the Operator is closely monitored by the National Cyber Directorate and implements adequate procedures and measures for effective management of information security and cyber protection with regard to these systems.

(X) Changes in investment trends due to ESG considerations

In recent years, there has been growing awareness among investors in Israel and worldwide, and among other stakeholders, such as suppliers, consumers, employees, creditors, etc., regarding the climatic and environmental impacts of various operations. As part of this trend, existing and potential investors, as well as other stakeholders, are taking ESG (Environmental, Social and Governance) considerations into account and including ESG considerations in their investment and business policies, including with regard to granting credit.

At the same time, there is a similar trend among regulators in Israel and worldwide. Thus, for example, in July 2020, the Securities Authority issued a call for disclosure regarding corporate responsibility and ESG risks, that test, among other things, the generation of voluntary or mandatory disclosure on the subject. Furthermore, in December 2020, the Supervisor of Banks issued a notice stating that banks are required to take appropriate operational measures for identifying, monitoring and managing environmental risks. Similar approaches are also included in documents of other supervisory and regulatory authorities worldwide, and in Europe in particular.

The consequences of such trends may be expressed in various ways, including: public opposition to the Partnership's oil and gas asset activity, reducing the Partnership's attractiveness among potential employees, pressure from investors and funding banks to adapt the Partnership's operations to the December 2015 Paris accord on reducing greenhouse gas emissions, as well as difficulties in accessing capital, including raising debt, external investments and project financing. In addition, these trends may also adversely affect the Partnership's business and financial status, among others, leading to a decrease in the value of its assets, an increase in the price of debt and erosion of the price of participation units.

In February 2022, the Partnership published its first corporate governance report reviewing 2020-2021, in which initial goals were set for the issues defined as material by the stakeholders, according to the materiality test and in accordance with GRI standards.

(Y) Tax risks

The tax issues related to the Partnership's operations, including with regard to the method of calculation of the Levy under the Petroleum Profits Tax Law, have yet to be litigated in Israeli courts and it is impossible to determine or to anticipate how the courts will rule on such issues, if and when they are brought before them. Furthermore, for some of the legal issues there is no way to anticipate the position of the tax authorities. In this context, it should be noted that in November 2021, an amendment to the Profits from Natural Resources Taxation Law was approved, according to which, inter alia, based on the tax assessor's decision, a payment may be imposed of 75% of the balance of the levy that was appealed.

(Z) Financing liabilities

As specified in Section 1.7.21above, the terms of the debentures issued by a subsidiary of the Partnership, Leviathan Bond, defined events of default and various liabilities, part of which are not in the Partnership's control, and a breach thereof may entitle the debenture holders to call for immediate repayment of the debt and to exercise the liens on the Partnership's interests in the Leviathan Project which were created to secure the repayment of the debentures.

(AA) Dependence on customers

Currently, the IEC, NEPCO and Blue Ocean are the key customers of the Leviathan Project, and in this regard the Partnership is exposed to risks that are beyond its control, including changes in the economic and political situations in Jordan and Egypt that could have an impact on these customers and their ability to meet their obligations under the gas supply agreements. For further information concerning the Partnership's revenues from these customers, see Section B above.

It should be noted that the agreements signed with IEC and Blue Ocean set dates at which each party to an agreement is entitled to request a price adjustment. Should Blue Ocean request a price adjustment for gas purchased by it in accordance with the mechanism set out in the agreement with it, this may have an adverse effect on the Partnership's business and the results of its operations.

In addition, the Partnership is exposed to risks beyond its control with regard to the financial robustness of its customers and their ability to meet their liabilities under the gas supply agreements. If the Partnership's customers in general and its key customers in particular, fail to meet their liabilities and if the Partnership fails to sell the contracted volume as set in these agreements to other customers, this will have an adverse effect on the revenues of the Partnership and on its financial results.

(BB) Reliance on the Operator

The Partnership depends to a large extent on the operators in its oil assets, Chevron for the Leviathan Project and Block 12 in Cyprus and SOA for New Horizon and Yahel Hadash licenses, and this due to the provisions in the JOAs. The withdrawal and/or removal of the Operator, for any reason whatsoever under the operating agreements, or any change in its status and/or interests such that it will no longer be the operator for the project, such that it ceases to be the operator of the project, this could have an adverse effect on the ability of the Partnership to meet its commitments under the work plans for the oil assets and/or under the agreements for the sale of gas. In such a case, the Partnership is not able to guarantee that a substitute operator will be found under the current conditions, if any. The inability of the Partnership to find a substitute operator may adversely affect the operations of the various projects as aforesaid, specifically - the Partnership's commitments to supply gas under the existing gas sales agreements, and as a result may lead to a decrease in the Partnership's revenues. Furthermore, if the operators in the Partnership's assets fail to comply with their obligations as operator under the JOAs or under agreements with third parties they have engaged with as an operator, the Partnership may then bear expenses and losses that may derive from the actions (or omissions) of the operators.

(CC) Risk in development and production in the event of a discovery

The decision-making process for investing in the development of a field for its commercial production, intermediate operations prior to commercial production, and the execution of such development and commercial production (if it is decided that they are feasible) could be prolonged and involve the Partnership in substantial investments. In this context, it should be noted that there is no certainty that in every discovery defined as a commercial discovery the of the oil or gas field will be development, will be economically feasible for the Partnership and finance, inter alia, due to the duty to pay royalties to third parties. It should also be noted that, as aforesaid, the development and production of deep-water assets, such as those in which the majority of the Partnership's assets are located, are complex and high-risk operations.

(DD) Revocation or expiration of oil rights and assets

Oil rights are granted according to the Petroleum Law for a limited term, and are contingent on fulfilling commitments on dates specified in terms of the oil assets. Failure to comply with the conditions could lead to revocation of the oil rights, subject to the Petroleum Law. In addition, failure to comply with the terms and conditions set out in the Petroleum Law could lead to forfeiture of the rights and loss of the funds invested in these rights. In this regard it is noted that the development plan of the Aphrodite reservoir prescribes, inter alia, that the partners are required to drill the A-3 appraisal will by November 2022, as set out in Section 1.7.5(A) above.1.7.5(K)

(EE) Spillover of reservoirs

It is possible that oil or natural gas reservoirs that are discovered or will be discovered in the areas in which the Partnerships have rights may "spillover" (in terms of the spread of the geological formation and size of the reservoir) into other areas where Company or the Partnerships have no rights, and vice versa. If gas migrates to areas in which other parties have rights, negotiations may be required to reach agreement for joint exploitation and production from the reservoir or an alternative indemnification arrangement, to achieve effective utilization of the oil or natural gas resources, which could cause delays in the various operations that the Partnership will have to execute.

(FF) Security risks

The INGL gas transmission pipeline facilities, the EMG pipeline and other infrastructures used for supplying gas to Egypt are located in part offshore, and are relatively close to the offshore-onshore border between Israel and Gaza, and the gas reception and distribution infrastructure in Egypt connects to the EMG pipeline in the Sinai Peninsula, and therefore they are exposed to security risks, including acts of terror and sabotage. Furthermore, the Leviathan Project facilities, the pipeline, infrastructures and facilities used for supplying gas to Jordan and Egypt are exposed to security risks as aforesaid.

These security risks, if they materialize, may, among other things, disrupt the production of gas from the Leviathan Reservoir and/or the supply of gas to customers in the domestic market and/or in the export markets, and in an extreme scenario, may even lead to the revocation of the gas supply agreements or the reduction of the amounts the customers are required to pay due to claims of a "force majeure" event. Furthermore, such risks may restrict the ability of service and equipment providers to provide their services or the equipment required for the operation of the Leviathan Project, and adversely affect the ability to recruit and retain the appropriate human capital. The materialization of such security risks may lead to a significant adverse effect on the Partnership's revenues and business, including its ability to execute operations that are contingent on prior coordination with the defense forces.

(GG) Fluctuations in the USD exchange rate

Changes in the NIS-USD exchange rate may impact the results of the Partnership in several ways, as follows: (a) The Partnership's operating currency is the USD. As some of the Partnership's expenses are in NIS or are affected by the NIS-USD exchange rate, a decrease in the NIS-USD exchange rate (appreciation of the NIS against the USD) increases such expenses in USD terms; (b) as the gas prices in the agreements for the sale of gas from the Leviathan Reservoir are set by price formulas that include various linkage components, among others, linkage to the NIS-USD exchange rate and to the electricity production tariff, which is partly affected by the NIS-USD exchange rate. Depreciation of the NIS against the USD may have an immaterial negative effect on the Partnership's revenues; and (c) as the Partnership reports its taxable income in NIS and pays tax advances for the holders of the Partnership's participation units in NIS, changes in the NIS-USD exchange rate affect the amount of the Partnership's taxable income and the scope of the cash flows used for payment of such tax advances.

(HH) Affiliation of the Partnership to the Delek Group and its controlling shareholder

The Partnership's affiliation with Delek Group and its controlling shareholder, and their financial situation, may have a adverse effect on the Partnership and its business.

The affiliation of the Partnership to Delek Group and its controlling shareholder, Yitzhak Tshuva, could affect the Partnership's ability to raise credit, inter alia, due to the single borrower limitation, which could limit the Partnership's sources of credit in Israel, and there may be other regulatory restrictions imposed on the banks and institutions by the Ministry of Finance and the Bank of Israel. In addition, any deterioration in Delek Group's financial situation may make it difficult for the

Partnership to raise credit and/or could adversely affect the commercial conditions under which the credit required by the Partnership will be provided.

In addition, according to the instructions of the Commissioner of Petroleum Affairs, a change or transfer of control in a Partnership requires the approval of the Commissioner.

It should also be noted that, under the Production Sharing Contract signed with the Republic of Cyprus in the Aphrodite project, as set out in Section 1.7.5(C) above, a change in the control, directly or indirectly, of Delek Group or the Partnership requires prior approval of the Republic of Cyprus.1.7.5(C) Furthermore, in accordance with the terms of the PSC and the requirements of the Republic of Cyprus, Delek Group provided a performance guarantee with respect to the Partnership's obligations under the PSC.

(II) The Partnership's status as a monopoly

As outlined in Section 1.7.21(A) above, the Partnership was previously declared a monopoly together with the Tamar Partner, and it may be considered a monopoly in the natural gas supply segment in Israel even after the sale of its remaining rights in the Tamar and Dalit leases. It is noted that restrictions and prohibitions may be imposed on a monopoly under the Economic Competition Law, and among other things the prohibition to refuse, for unreasonable reasons, to supply natural gas to customers, and prohibition on the adverse exploitation of the monopoly in a manner that may reduce business competition or cause public harm (for example, by setting unfair prices or different terms of engagement for similar transactions that could give certain customers an unfair advantage over their competitors).

(JJ) Provision regarding force majeure events under existing natural gas sales agreements:

In most of the Partnership's agreements for the sale of natural gas (hereinafter in this section - the "Agreements"), the customers have a take-or-pay agreement for a minimum annual quantity of natural gas, according to the mechanisms set out in the agreements. However, the customers may be exempt from this obligation, in the event of force majeure that prevents them from fulfilling their obligations, as defined in the Agreements. A force majeure event is defined as an event beyond the customer's control, which prevents it from fulfilling its undertakings under the agreement and which could not reasonably have been prevented under the circumstances. The Agreements list events that will not be considered force majeure, also where they are beyond the customer's control. It should be noted that the Partnership may also be exempt from its obligations under the agreements for sale of natural gas in the event of force majeure that prevents it from fulfilling its obligations s under the Agreements.

If a force majeure event continues over a prolonged period as set out in an agreement for the sale of natural gas and it has a material effect on the ability of a party to fulfill its undertakings as aforesaid, this may constitute grounds for termination of the agreement. Accordingly, a force majeure event over a prolonged period, which suspends a customer's undertakings to buy a significant quantity of natural gas, may have a material adverse effect on the Partnership's revenues.

The table below presents a summary of risk factors by type (macro risks, sector-specific risks and risks specific to the Partnership), according to the estimates of the Company based on the degree of their effect on the Company in the energy sector in Israel:

	Effect of the risk factor on Company's business		
	Major	**Moderate**	**Minor**
Macro risks			
The Covid-19 pandemic		X	
Inconsistencies in the linkage components in the natural gas price formulas in the supply contracts		X	
Changes in demand for and prices of energy		X	
Global macroeconomic factors	X		
Geopolitics	X		
Sector-specific risks			
Difficulties in obtaining financing			X
Competition for gas supply	X		

	Effect of the risk factor on Company's business		
	Major	**Moderate**	**Minor**
Export restrictions		X	
Dependence on the development and proper function of the National Pipeline	X		
Operating risks		X	
Inadequate insurance coverage		X	
Establishment risks, dependence on contractors, and providers of equipment and professional services		X	
Exploration risks and dependence on partial and estimated assumptions, assessments, and data		X	
Estimated costs and schedules and potential shortage of means		X	
Forfeiture of the Partnership's rights in its oil assets and the financial robustness of the partners in the oil assets			X
Dependence on other regulatory approvals		X	
Regulatory changes	X		
Possibility of price controls on natural gas		X	
Appeal against the judgment dismissing the motion for certification as a class action concerning the price of gas as set in the IEC agreement		X	
Environmental regulation	X		
The climate crisis		X	
Dependence on weather and sea conditions			X
Information security and cyber risks		X	
Changes in investment trends due to ESG considerations		X	
Partnership-specific risks			
Tax risks		X	
Financing liabilities		X	
Dependence on customers		X	
Reliance on the Operator	X		
Risk in development and production in the event of a discovery			X
Revocation or expiration of oil rights and assets			X
Spillover of reservoirs			X
Security risks	X		
Fluctuations in the USD exchange rate		X	
The Partnerships' status as a monopoly in the supply of natural gas in Israel			X
Provision regarding force majeure events under existing natural gas sales agreements		X	

It is noted that the impact of these risk factors on Company's operations is based on estimates alone and may actually be different.

Professional Terms Appendix

Below is a glossary of professional terminology, alphabetically arranged, according to the term in Hebrew. The explanations and definitions given here are for the reader's convenience. The official definitions are in the PRMS and the Security Authority's regulations, as may be updated from time to time.

Commercial - according to the PRMS, a project is commercial when there is evidence of concrete intent to promote development of the reservoir within a reasonable time frame, and that there is concrete evidence that all conditions, including technical, environmental, economic, social, political, legal, contractual and regulatory are met.

Compressed Natural Gas (CNG) - natural gas compressed at a high pressure to 100 to 300 times its original volume, depending on the compression pressure. Compressing the gas facilitates its storage and transportation. CNG is mainly used as a fuel for gas-powered vehicles.

Condensate - a mixture of hydrocarbons that exist in gaseous phase conditions in the reservoir, but when produced, are in the liquid phase at surface pressure and temperature conditions.

Confirmation Well or Appraisal Well - a well that is drilled with the aim of verifying the size, quality and continuity of the oil field discovered through a successful exploratory well. Confirmation drilling is carried out at the appraisal phase of the field and formally ends when a final investment decision is made to develop the field. Depending on the size and complexity of the field, there may be more than one exploratory well in the field.

Depending on the size and complexity of the field, there may be more than one exploratory well in the field.

Contingent Resources - are defined in SPE-PRMS as quantities of hydrocarbons (such as oil and/or gas) that are estimated, as of any given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies. The contingent conditions could, among others, be technical, financial and/or regulatory. According to PRMS, contingent resources are reported according to the probability of their quantities as low estimate that is denoted as 1C, best estimate that is denoted as 2C and high estimate that is denoted as 3C.

Development - reserves are reported according to the certainty of their quantities, as proved reserves denoted as P1, probable reserves denoted as P2, and possible reserves denoted as P3. It is customary to also report the low estimate, denoted as 1P (equivalent to P1); best estimate, denoted as 2P (equivalent to the sum of P1 + P2); and high estimate, denoted as 3P (equivalent to the sum of P1 + P2 + P3).

Development - the set of actions required to produce gas/condensate/oil from a reservoir, including drilling and completion of production wells, establishing a transmission system to a processing facility, construction of required processing facilities, establishing a transmission system from the processing facility to consumers.

Discovered; Discovery; On Production; Approved for Development; Justified for Development; Development Pending; Development Unclarified or on Hold; Well decommissioning; Development not Viable; Dry Hole;

As defined in PRMS.

Dry Gas - natural gas consists mainly of methane, and generally contains less than 10 barrels of condensate in every million cubic feet of gas.

Exploration Well or Exploratory Well - a well that is drilled for the purpose of proving the existence of oil in the prospect and for verifying the geological model that led to it being drilled. This is the essence of exploration activity. Depending on the size and complexity of the field, there may be more than one exploratory well in the field.

FPSO - Floating Production, Storage and Offloading, a facility which usually looks like a vessel. It is equipped with processing and separation facilities for oil and/or gas and/or water and other liquids, which are extracted from seabed wells and transmitted from them to the facility via risers. The facility has a storage capacity of tens or hundreds of thousands of barrels of liquids, which are offloaded periodically using tankers.

Gas / Oil Initially In Place - the volume of gas in the reservoir before beginning production, which is usually reported under standard pressure and temperature conditions. The volume of gas in place is not dependent on the development plan of the reservoir and does not change, even though the estimates for it could change. The volume of gas in place is always greater than the volume of recoverable gas (see in this context the definitions for Recovery Factor and Recoverable Gas/Oil).

Gas and/or oil field - an accumulation or accumulations of oil under the surface of the soil, which is usually composed of reservoir rock covered by a seal layer. The term is usually used to specify reservoirs that may be economically feasible for production.

Hydrocarbons - chemical compounds consisting wholly of hydrogen and carbon. In this report, the term is used as a general indication of, mainly, natural gas and/or oil and/or condensate.

Jacket - a steel frame that is fixed to the seabed with the top above the waterline, on which the topsides of the platform are fixed.

Lean Natural Gas - with regard to the Leviathan production systems, the term refers to the natural gas in the pipeline after treatment, i.e., after the liquids (water and MEG) have been removed.

Liquefied Natural Gas (LNG) - the natural gas is condensed by cooling to a temperature of 160° C below zero converting it to a liquid state, thus reducing its volume by 600 times. Liquefaction of natural gas allows transmission of the gas to distant customers without requiring pipelines.

Logs - (a) various tests performed when drilling to characterize and record a series of properties of the drilled rocks and their contents. (b) the instruments used for performing these tests. Logging can be divided into logging while drilling (LWD) and are installed as part of a column of drilling pipes, and wireline logging that are conducted when the drill is not in the well.

Low/Best/High Estimates - according to PRMS, the low estimate is defined as there being a 90% probability that the quantities actually recovered will equal or exceed the low estimate; the best estimate is defined as there being a 50% probability that the quantities actually recovered will equal or exceed the best estimate; the high estimate is defined as there a 10% probability that the actual quantities recovered will equal or exceed the high estimate.

Manifold - an installation consisting of pipes and valves designed to control, route and monitor the flow of various products. In the Leviathan and Tamar projects, the manifold is a subsea structure, and receives the flow from the pipeline coming from a number of subsea wells, and routes it to the long pipeline leading to the platform.

Natural Gas - a naturally occurring carbonaceous mixture of hydrocarbons.

Oil and gas exploration – all activities aimed at locating gas or oil reserves and proving their existence, including geological, geophysical, geochemical, engineering and other surveys and analyzes. It is customary to determine the end of the exploration phase after a successful drilling of an exploratory well, and after successfully proving the economic feasibility of the discovery, which sometimes requires additional drillings.

Oil asset – holding, directly or indirectly, in a preliminary permit, license or lease. In another country – the lease, direct or indirect, in a similar right granted by a competent party. The oil asset is also regarded as the right to receive benefits arising from the lease, direct or indirect, in the oil asset or in a similar right (as the case may be).

Petroleum - a natural compound of hydrocarbons in a gaseous, liquid or solid state. Petroleum may also contain nonhydrocarbon compounds, such as carbon dioxide, nitrogen and sulfur. In this report, the term is used as a general indication of, mainly, natural gas and/or oil and/or condensate.

Petroleum Resource Management System (PRMS) - is a guideline for consistent and reliable definition, classification, and estimation of gas and/or oil resources developed and maintained by the key professional agencies active in the industry. The most recent edition of the PRMS was published in 2018 (replacing the 2007 edition).

Preliminary permit, priority right to obtain a license, petroleum interest, oil, license, as these terms are defined in the Petroleum Law.

Production and Processing Platform - a facility that serves for processing of the production products (natural gas/condensate/processes liquids, etc.), and sometimes also for controlling wells and the transmission system. In the Yam Tethys, Leviathan and Tamar projects, the production and processing platforms are offshore.

Prospective Resources - defined under the SPE-PRMS as estimated quantities of hydrocarbons (oil and/or gas), as of a given date, to be potentially recoverable from undiscovered accumulations. According to PRMS, prospective resources are reported according to known quantities as low estimate that is denoted as 1U, best estimate denoted as 2U and high estimate denoted as 3U.

Recoverable Gas/Oil - the gas/oil that can be recovered through commercial or sub-commercial development projects, as of a given date.

Recovery Factor - the ratio of gas/oil initially in place and the recoverable gas/oil, as defined here. The factor is between 0 - 1 and is usually lower for oil than for gas.

Reserves - defined according to the PRMS as quantities of hydrocarbons (such as gas/oil) that are anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must satisfy four criteria: They must be discovered, recoverable, commercial, and remaining based on the development projects applied.

Rich Natural Gas - with regard to the Leviathan and Tamar production systems, the term refers to the natural gas in the pipeline before treatment, i.e., before the liquids (water and MEG) have been removed.

Seismic Survey - a method based on shock waves, which enables the imaging of subterranean properties and detecting of geological structures, and is the main tool in gas and oil exploration. Generally, seismic surveys are divided into 2D surveys that provide a two-dimensional image of the subterranean surface and 3D surveys that provide a three-dimensional image of the subterranean surface. The raw data of the survey are processed using a number of methods. Geological interpretation is usually carried out on the processed results.

Topsides - parts of an offshore drilling platform containing production and processing facilities and other facilities, located above the waterline on a jacket in the case of a fixed platform, or on a floating production system in the case of a FPSO.

Umbilical Cables - with regard to the Leviathan and Tamar project production systems, this term refers to the command and control cables in the production wells, which also allow liquids to be injected into them. In the Leviathan and Tamar projects, there are umbilical cables from the platform to the subsea distribution assembly (SDA) and umbilical cables in the field itself, from the SDA to the wells.

Wet natural gas (Wet Gas) - natural gas that contains, relative to dry natural gas, less light hydrocarbons (mainly methane and ethane) and more heavy hydrocarbons. It is customary to classify natural gas as "wet" when its methane content is less than 85%.

working interest - an interest in an oil asset granting its owner the right to participate, pro rata, in the exploration, development and production of oil, subject to payment of a corresponding percentage of the expenses arising from these works, after acquiring the working interest.

Units

BCF – Billion Cubic Feet

BCM - Billion Cubic Meters

TCF - trillions of cubic feet, which is 1,000 BCF or 28.32 BCM.

MMCF - millions of cubic feet, which is 0.001 BCF or 0.0003 BCM

MMBBL - million barrels

MMBTU - million British thermal units

Conversion table for units used in the report:

MMCF	BCF	BCM
35,314.7	35.3147	1

BCM	MMCF	BCF
0.0283	1000	1

BCM	BCF	MMCF
0.00003	0.001	1

Partial list of abbreviations

AFE	–	Authority For Expenditure
AOT	–	Ashdod Onshore Terminal
ACQ	–	Annual Contract Quantity
EGAS	–	Egyptian Natural Gas Holding Company
EMG	–	Eastern Mediterranean Gas Company S.A.E
FEED	–	Front-End Engineering Design
FID	–	Final Investment Decision
FLNG	–	Floating LNG
FPSO	–	Floating Production, Storage and Offloading
IEC	–	Israeli Electric Company
JOE	–	the Joint Operating Agreement
JV	–	Joint Venture
MEG	–	Monoethyleneglycol, antifreeze fluid
NEPCO	–	Natural Electric Power Company, the national power company of Jordan
NSAI	–	Netherland Sewel and Associates Inc.
PRMS	–	Petroleum Resources Management System
SPC	–	Special Purpose Company
TCQ	–	Total Contract Quantity
TEG	–	Triethylen Glycol, a fluid that absorbs water and is used to dry natural gas

Geological ages and periods appearing in the Report

According to the International Commission on Stratigraphy, 2020 (in million years before present)

- Miocene: 5.3 – 23.0
- Oligocene: 23.0 – 33.9
- Upper Cretaceous: 66.0 – 100.5
- Lower Cretaceous: 100.5 – 145.0
- Jurassic: 145.0 – 201.3
- Triassic: 201.3 – 251.9
- Permian: 251.9 – 298.9

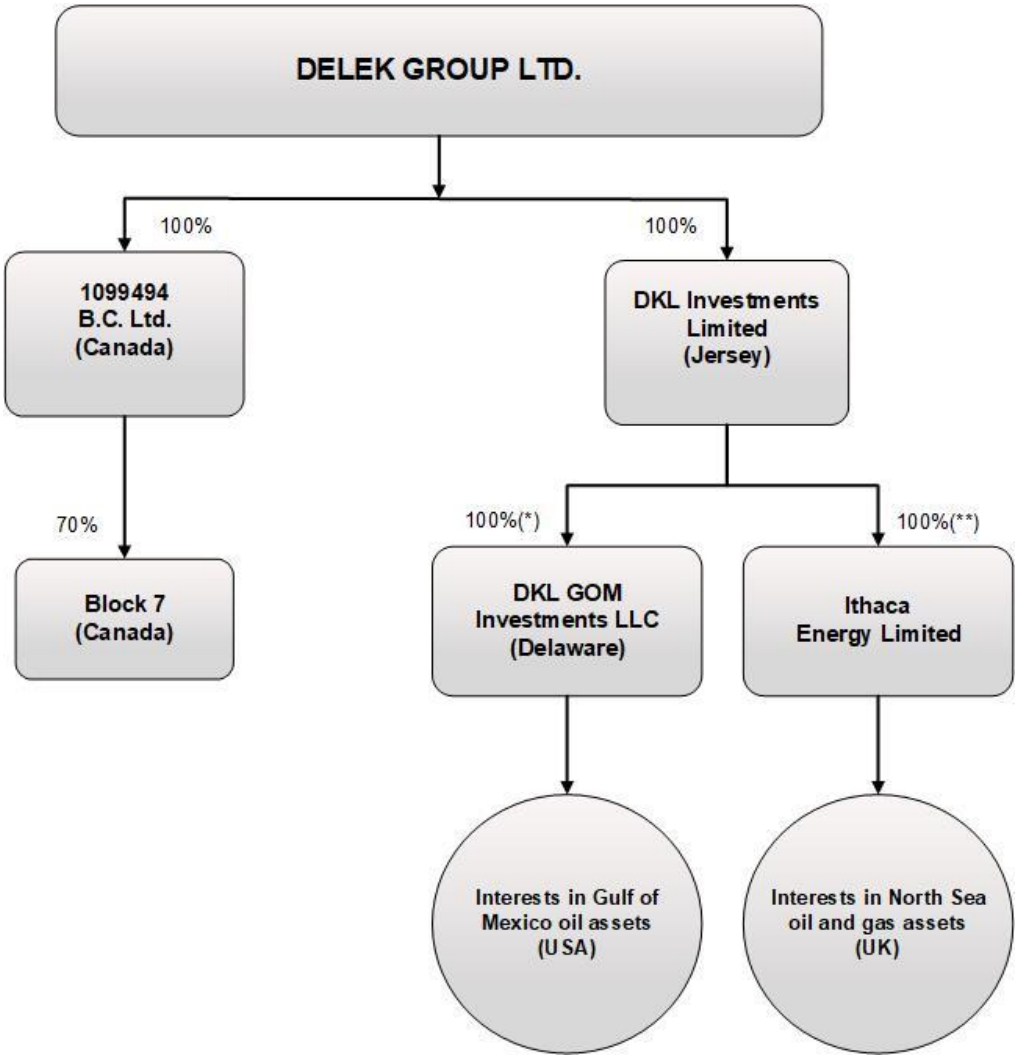
1.8. The Company's Foreign Energy Segment

1.8.1. General

(A) As part of the Company's business strategy, and with the intention of establishing its operations in international energy markets simultaneously to the development of the Company's Mediterranean oil assets, the Company has invested in the energy sector in recent years in several companies and oil assets abroad.

As of the Reporting Date, the Company's operations in the Foreign Energy Segment include mainly projects on the UK continental shelf in the North Sea region (hereinafter - the "**UK Continental Shelf**") through Ithaca Energy Limited (formerly, Ithaca Energy Inc.) (hereinafter - "Ithaca"), wholly owned and controlled (100%) by the Company. In addition, the Company holds other oil assets in the Gulf of Mexico region of the US and an exploration license in Newfoundland in Canada, as set out in this chapter below

(B) The following chart describes the Company's key holdings structure in the Foreign Energy Segments at December 31, 2021:



(*) The holding in the company is through two wholly owned foreign subsidiaries of the Company (DKL Energy Limited (130061) and Delek North Sea Limited (12263719)).

(C) DKL Investment Limited (hereinafter - "**DKL**") is a private company registered in Jersey, wholly owned and controlled (100%) by the Company.

In June 2017 the Company (through DKL) completed the acquisition of all (100%) of Ithaca's shares by way of a tender offer addressed to all the shareholders of Ithaca, following which Ithaca's shares were delisted from London's Alternative Investment Market (AIM) and the Toronto Stock Exchange (TSX) in Toronto, Canada.

Ithaca engages in the exploration, production and sale of oil and gas produced from oil assets located on the UK Continental Shelf in the North Sea region, and serves as the Operator in some of these assets, also through Ithaca's wholly owned and controlled (100%) subsidiaries and (hereinafter - the "**Ithaca Group**").

(D) In May 2019, Ithaca Energy (UK) Limited (hereinafter - "Ithaca UK"), a wholly owned and controlled (100%) subsidiary of Ithaca, engaged in an agreement with Chevron North Sea Holdings Limited (hereinafter in this section below - the "Seller"), for the acquisition of 100% of its shares of Chevron North Sea Limited, that was a subsidiary of the Seller (hereinafter - the "Chevron Transaction"). In November 2019, the Chevron transaction was finalized, after which Ithaca named the acquired company Ithaca Oil and Gas Limited (hereinafter: "IOGL" or the "Acquired Company").

The Acquired Company engages in the exploration, development and production of gas and oil assets in the UK Continental Shelf fields. Its main assets include interests, at various rates, in producing oil and gas assets on the UK Continental Shelf, for some of which it serves as Operator.

(E) In December 2021, a transaction was completed whereby Ithaca Group acquired additional rights in the p.213 license located in the Alba reservoir. The effective date for the purchase of the additional rights as per the agreement is January 1, 2021. Subsequent to the completion of the transaction, Ithaca - which is the reservoir's operator - holds 36.7% of the reservoir's rights. For further information, see the Company's immediate report dated December 5, 2021 (Ref. No. 2021-01-176016), the details of which are included herein by way of reference.

(F) In February 2022, subsequent to the reporting date, a transaction was completed whereby Ithaca UK acquired the entire share capital (100%) of Marubeni Oil and Gas (U.K.) Limited (hereinafter - the "Marubeni" and the "Marubeni Transaction"). The effective date for the acquisition is January 1, 2021. Marubeni operates in energy sector in the North Sea and holds, among other things, 41.03% of the rights to the MonArb oil asset, comprising 9 producing oil fields, and rights to other oil assets. For more information, see the Company's immediate reports of November 3, 2021 (Ref. No.: 2021-01-162765), January 2, 2022, (Ref. No.: 2022-01-000874) and February 6, 2022 (Ref. No.: 2022-01-015367), included herein by way of reference.

(G) In February 2022, subsequent to the reporting date, Ithaca Group signed an agreement to acquire the entire share capital (100%) of Summit Exploration and Production Limited (hereinafter - "Summit") (hereinafter in this section - the "Transaction"). Summit operates in the energy segment in the North Sea region and holds, among other things, 2.1875% of the rights in the Elgin-Franklin reservoir (a producing reservoir in which Ithaca has a 3.9% interest prior to finalization of the transaction), as well as other oil assets. It should be emphasized that as at the date of the report, the transaction has not yet been finalized, but Ithaca believes that it may be completed in the second quarter of 2022 (hereinafter - the "Transaction Finalization Date").For further information, see the Company's immediate report dated February 28, 2022 (Ref. No. 2022-01-024187), the details of which are included herein by way of reference.

Forward-looking information - The information outlined above, including the details regarding the possibility of the transaction being finalized and the Transaction Finalization Date is forward-looking information as defined in the Israel Securities Law, 1968, based, among other things, on estimates regarding data not yet available to the Company or Ithaca or data that the Company have not yet fully assessed. The materialization of these assessments depends on factors beyond the Company's or Ithaca's control, and may therefore be materially different from that set forth above.

For further information regarding Ithaca Group, its assets and operations, see Section 1.8.4 below, and also Note 12.R to the annual Financial Statements included in Chapter C of this Report.

(H) Delek GOM Investments LLC (hereinafter - "**Delek GOM**") is a private company registered in the US and is wholly owned and controlled (100%) by the Company.

In January 2018 Delek GOM engaged in an agreement to acquire 75% rights in two oil and gas assets located in the Gulf of Mexico area in the United States: Canoe and Tau. As of the Report's approval date, the Company regards the Canoe concession to be an oil asset whose activity was discontinued, and the Tau oil asset as a negligible oil asset relative to the Company's operations in the energy segment. For further information, see Section 1.8.4 below.

(I) B.C Ltd. As of November 2016, 1099494, a private company incorporated in Canada and wholly owned (100%) by the Company, holds rights in the "Block 7" license covering an area of 2,000 square kilometers at an estimated depth of 4,500 meters below sea level (the seabed depth is 1,500 m) which is located east of Newfoundland in the West Orphan basin off the coast of Canada. As at the

reporting date, the Company considers the license a negligible oil asset in relation to its operations in the energy segment; for further information, see Section 1.8.5 below and the Resources Report.

Asset cluster	Reserves (2P) Thousand barrels of oil equivalent (MBOE)	Contingent resources (2C) Thousand barrels of oil equivalent (MBOE)
Captain Reservoir	81,162	12,665
GSA Project	26,479	32,692
Ithaca Group Operated Assets	28,080	50,298
Non-Operated Assets	47,840	11,364
Total for all Ithaca assets	183,561	107,018

1.8.2. General information about the area of operation[95]

The Company's operations in the Foreign Energy Segment vary according to the location of the projects, among other things, due to the regulatory regime applicable in the various operating areas.

(A) Structure and changes to area of operation

Oil and natural gas exploration, development and production operations are complex, involving considerable costs and significant uncertainty as to costs, schedules, availability of oil or natural gas and the ability to produce it while maintaining economic viability. Consequently, notwithstanding considerable investments, drilling sometimes does not achieve positive results and does not generate any revenues whatsoever, or result in loss of most or part of the investment. For general information about the nature of exploration, development and production of oil and natural gas, see Section 1.7.3(a) above.

In most of the areas where the Company's oil assets are located on the UK Continental Shelf and in the United States, there is a very sophisticated market for both oil and gas, and in most cases the hydrocarbons produced can be sold and supplied directly through an existing transmission pipeline only a few kilometers from a new development at a usage fees. In some cases, this would be an Open Access pipeline, the price for which is usually supervised. In many cases, the hydrocarbons can even be sold at the entrance to the pipeline at a price that includes a certain discount on the market price at an amount similar to the costs of alternative transmission means.

In the UK, the US and Canada, an oil or gas field lies in the area of a single license or concession or of a number of licenses or concessions that are granted by the relevant gas and oil authorities, and each field may contain a number of oil and/or natural gas reservoirs. For further information regarding the authorities regulating the Company's oil assets, see Section 1.8.191.8.22 below.

For licenses that have multiple partners, joint operating agreements have been signed that regulate the exploration, development and production operations between the partners in the oil assets (hereinafter - the "**Joint Operating Agreement**" or "**JOA**"). With regard to some of the oil and gas fields that cover the areas of more than one license, the various partners have signed additional Unitisation and Unit Operating agreements or Unitisation and Joint Development Operating agreements, regulating operations in the unitized fields, including the production of oil and gas in the asset (hereinafter - "**Unit Agreement**").

(1) UK

To the best of the Company's knowledge, the UK is the second largest natural gas and oil producer in Europe, and the vast majority of natural gas and oil produced in the UK are from offshore reservoirs in the UK Continental Shelf in the North Sea. In the area of the UK Continental Shelf there is an extensive pipeline network for piping the oil and natural gas produced on the offshore rigs to the onshore terminals in the UK.

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[95] Unless stated otherwise, the information contained in this section is mainly based on the BP Statistical Review of World Energy (Jul. 2021), The World Energy Outlook 2021 of the International Energy Agency, and the 2021 World Oil Outlook 2045 of OPEC and are to the best of the Company's knowledge. To view the reports, see:

https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2021-full-report.pdf

https://www.iea.org/reports/world-energy-outlook-2021 and https://woo.opec.org/index.php

(2) USA

To the best of the Company's knowledge, the USA is the largest producer of oil and natural gas in the world, with Canada being the fourth largest oil producer in the world and the fifth natural gas producer in the world.

In the US Gulf of Mexico region, where the Tau oil asset is located, there has been extensive experience in exploration, development and production of oil and gas assets, and as a result, oil treatment and pipeline infrastructures are highly prevalent. In most cases, the development of oil and gas assets in the areas where the Company's oil assets are located is based on local know-how and experience accumulated with regard to nearby and similar assets, as well as regarding the extensive use of existing infrastructures. These circumstances often result in shorter development time of oil assets and less capital expenditure needed than in many other places worldwide.

(3) Canada

With regard to the Company's oil asset in Canada, it should be noted that since it is located in deep waters about 350 km east of Newfoundland in eastern Canada, if a substantial oil or gas discovery is made that will enable commercial development of the asset, the development costs will be relatively high.

(B) Restrictions, legislation and special constraints that apply to this area of activity

For further information regarding applicable regulation in countries where the exploration, development and production of oil and natural gas is carried out, see Section 1.8.22 below

(C) Changes in the volume of operations and profit of the segment

The global oil and gas industry is seriously affected by changes in supply and demand, and crude oil prices are known to be highly volatile. Three major factors affecting crude oil prices are volume of oil supply from OPEC (Organization of the Petroleum Exporting Countries)[96] and from non-OPEC countries, and the global demand for crude oil. Crude oil prices are also affected by production capacities and costs, and the development of cleaner or cheaper energy production capacities.

(1) UK

Oil production in the UK peaked towards the end of the 1990s, and declined in subsequent years; from 2014 to 2019, oil production was on the rise, and in 2019-2020, the UK reduced its oil production rate by 8.0%. Oil consumption peaked in the UK in 2005, and declined in subsequent years; in 2013-2017, the trajectory changed, and oil consumption was on the rise. As from 2018, oil consumption started to decline; 2020 saw a 22.2% decline (compared to 2019), which can be attributed to the Covid-19 Crisis.

UK natural gas production peaked towards the beginning of the 2000s and declined over the following years, leveling out in 2014. In 2015-2017 the UK increased its natural gas production and in 2018 it declined by 3.1%. The downward trend continued in the following years. In 2020, there was an increase in the demand for natural gas that can be attributed to the Covid-19 pandemic. Natural gas consumption peaked in 2010, and has been falling since.

Since 2010, oil production declined faster than the decline in consumption, with the UK becoming dependent on importing crude oil and fuel products.

Despite being an importer of crude oil and fuel products, the UK is still one of the largest oil producers and exporters in Europe.

According to the Oil and Gas Authority (hereinafter - "**OGA**") publications, oil and natural gas will remain an important part of the UK's energy mix, and offshore production from the UK Continental Shelf remains essential in order to meet the UK energy products demand. According to a report published by the OGS in September 2021, the UK Continental Shelf region contains, as of the end of 2020, reserves of 11.2 BBOE.

(2) USA and Canada

The US is the largest oil and natural gas producer and consumer worldwide. The US is expected to continue topping the list of world oil consumers in the coming years. In light of the increase in the production of oil and natural gas in the US, the US has become a net exporter of oil and natural gas in recent years (namely, it exports more oil and gas than it imports). It should be noted that the US

[96] At Reporting Date, OPEC member countries are Algeria, Angola, Ecuador, Iran, Gabon, Equatorial Guinea, Iraq, Kuwait, Libya, Nigeria, Congo, Qatar, Saudi Arabia, United Arab Emirates and Venezuela.

oil and natural gas market is a sophisticated and well-developed market, in which most of the oil and gas produced is sold on the local market, which can absorb the total output volume.[97]

Canada is also a net exporter of oil and gas. Most of Canada's oil production comes from tar sands and heavy oil fields in the western part of the country. Canada's natural gas and oil supply now exceeds domestic demand. Furthermore, Canada's natural gas market is integrated with the US market; Canada exports the excess supply of its natural gas

(D) Market developments or changes in the characteristics of customers

Fluctuations in the oil and gas prices, as well as the prices of alternative fuels, may affect the prices that the Company can obtain from its customers for the oil and/or natural gas that it sells (if it is able to achieve its goals and reach commercial production in its assets in the US and Canada), which will affect the viability of production, the Company's decision whether the development of any particular reservoir will be economically viable, and the decision whether or not to engage in exploration and/or development operations.

For example, the 50% drop in oil prices from June 2014 through January 2015 led to a decline in demand for drilling equipment and services, and consequently the prices of the service providers and the drilling equipment decreased.[98]

According to the findings of the annual energy forecast published by the US Energy Information Administration (EIA) in March 2022,[99] the US is expected to continue to be a major global supplier of crude oil and natural gas.

According to the EIA estimates, the price of oil is the main motive for future drilling and affects production rates. According to them, based on the growing demand in the US market and outside of it, record volumes of oil production are expected over the next 30 years with the rate of oil and natural gas production expected to remain high from 2023 through 2050. Furthermore, they estimate that the US will continue to be an integral part of the global oil and natural gas market and a significant source for global consumption.

(E) Technological changes

In recent years there has been a significant increase in US commercial production of oil and natural gas from shale reservoir. Shale is a sedimentary rock (clay or flakes) with low conductivity and porosity. Oil and gas production is possible by using hydraulic fracturing, or fracking technologies and horizontal drilling. According to EIA estimates, by 2035 about 46% of US gas production will be based on shale gas.

A large quantity of the oil in the reservoirs is not recoverable by normal production processes, but now can be recovered by using more complex production techniques such as injection of heat, chemicals, carbon dioxide (CO^2) or other gases. These techniques have been successfully used in several countries for decades and are known as Enhanced Oil Recovery (EOR) techniques. In some of oil assets in which Ithaca Group has interests, production is carried out using EOR techniques.

For further information regarding technological developments, see Section 1.7.3(E) above.

(F) Critical success factors in the area of operation

For information concerning critical success factors in this operating segment, see Section 1.7.3(F) above.

(G) Changes in raw materials and suppliers

For information concerning changes regarding raw materials and suppliers, see Section 1.8.13 below.

(H) Entry and exit barriers

The main entry barriers in the oil and gas sector are the need to obtain permits and licenses for exploration, development and production of oil and natural gas from the competent authorities in each country in whose territory the Company's assets are located and subject to the regulations

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97 See website of the U.S. Energy Information Administration (hereinafter - "EIA"): https://www.eia.gov/outlooks/aeo/pdf/AEO_Narrative_2021.pdf

98 From the EIA website - "Oilfield costs fall following decline in oil prices" http://www.eia.gov/todayinenergy/detail.cfm?id=21712

99 https://www.eia.gov/outlooks/aeo/

applicable in each region[100] and/or the land owners and the availability of a financial resources to make the large-scale and relatively high financial investments required to carry out such operations. In addition, engaging in these operations requires considerable expertise, including the ability to locate suitable assets for exploration or production.

The main exit barriers are the obligation to dismantle production facilities before decommissioning the oil and natural gas assets, which sometimes involves very significant costs. In addition, due to the professional and economic capabilities required for these operations, the number of potential buyers for oil and gas assets is sometimes limited, which may delay the ability to sell the assets at the appropriate price and exit the industry.

(I) Substitutes for products of the operating segment

The use of renewable energy in the UK, particularly in the electricity sector, has doubled in the last decade. Nonetheless, oil and natural gas continues to be a major share of energy consumption in the UK. According to the International Energy Agency publications, by 2030 the use of renewable energies may be as high as 50% in the UK.

A growing trend in the US and Canada is the energy generation from renewable sources (mainly electricity generated from solar energy, wind and waterfalls) that replace the use of oil, gas and coal. Thus, in recent years, efforts have been made in the US to increase the use of alternative and less polluting energy sources.

(J) Structure of competition in the area of activity

For information regarding the structure of the competition in this operating segment, see Section below.

(K) The Covid-19 Crisis and its possible effect on the operating segment

As set out in Section 1.6.6 above, an unprecedented and challenging macroeconomic environment was created at the beginning of 2020. The decrease in demand for oil due to the spread of Covid-19 and cancellation of OPEC agreements led to extreme volatility in the petroleum market and financial markets. These effects led to sharp declines in the Brent and WTI indices, which led to a decline in prices on the petroleum market and of the results of energy companies.

In view of the spread of the virus, Ithaca has adopted a number of actions aiming to allow it to continue its operations also at the present time. Ithaca has been focusing its efforts to reduce the risk of the virus spreading among its employees and its suppliers, with the aim of protecting its employees' health as well as its operational aspects. The most serious business risk identified by Ithaca in view of the spread of the virus is the possibility that contagion among its employees who work in the various offshore facilities might lead to a complete halt in production activities. Such contagion is liable to harm the ongoing operations in the GSA Project and the Captain Reservoir oil assets, which are the most significant of all Ithaca's assets. Accordingly, Ithaca has recognized the gravity of the risk and has acted as aforesaid.

To mitigate the risk, measures have been taken ensuring that, if positive cases are found among the workers on the facilities, Ithaca is able to isolate workers suspected of being infected and send them back onshore. Since the outbreak of the Covid-19 pandemic, all offshore employees who were infected with the virus were immediately quarantined and flown back onshore, in accordance with the OGA guidelines.

As at the report's approval date, and after two years of working alongside the Covid-19 virus, we can now say that the production efficiency levels have returned to Ithaca’s pre-Covid levels, and at times even exceeded them. As at the date of approval of the Financial Statements, almost all maintenance work and the Capex are back on track and Ithaca’s management believes that the Company can continue operating safely and effectively, despite the pandemic. It is noted that the vaccination campaign in the UK is currently in full swing and Ithaca estimates that the risk to its employees will drop and will directly impact increasing production. For further information see Section 1.8.23(C) below.

[100] For further information concerning the regulation applicable to this operating segment, see Section **Error! Reference source not found.** below.

Breakdown of the Company's oil assets abroad

1.8.3. Ithaca's oil assets on the UK Continental Shelf in the North Sea.

(A) General

(1) As stated in Section 1.8.1(d) above, in November 2019, Ithaca Group closed the Chevron Transaction. As of date of closure, Ithaca assumed all the rights and liabilities of Chevron's assets in the North Sea, which included, among other things, ten producing oil and gas fields in the UK Continental Shelf zone[101], as well as production, treatment and storage facilities, and all as set out below.

(2) In September 2020, Ithaca was granted seven new licenses in a tender conducted by the OGA for oil and gas licenses in the UK Continental Shelf area; two of the licenses are in the vicinity of the Captain Field, two in the vicinity of the Alba Field, two in the vicinity of the Cook Field and one in the vicinity of the Stella Field.

(3) As stated in Section 1.8E above in December 2021, a transaction was completed whereby Ithaca Group acquired additional rights in the p.213 license located in the Alba reservoir. The effective date for the purchase of the additional rights as per the agreement is January 1, 2021. Subsequent to the completion of the transaction, Ithaca - which is the reservoir's operator - holds 36.7% of the reservoir's rights. For further information, see the Company's immediate report dated December 5, 2021 (Ref. No. 2021-01-176016), the details of which are included herein by way of reference.

(4) As outlined in Section 1.8(f) above, in February 2022, subsequent to the report date, a transaction was completed, under which the Ithaca Group acquired 41.03% of the rights of oil assets in the MonArb area, which include 9 on-production oil fields, as well as rights to additional oil assets.[102] The effective date for the acquisition is January 1, 2021. For more information, see the Company's immediate reports of November 3, 2021 (Ref. No.: 2021-01-162765), January 2, 2022, (Ref. No.: 2022-01-000874) and February 6, 2022 (Ref. No.: 2022-01-015367), included herein by way of reference.

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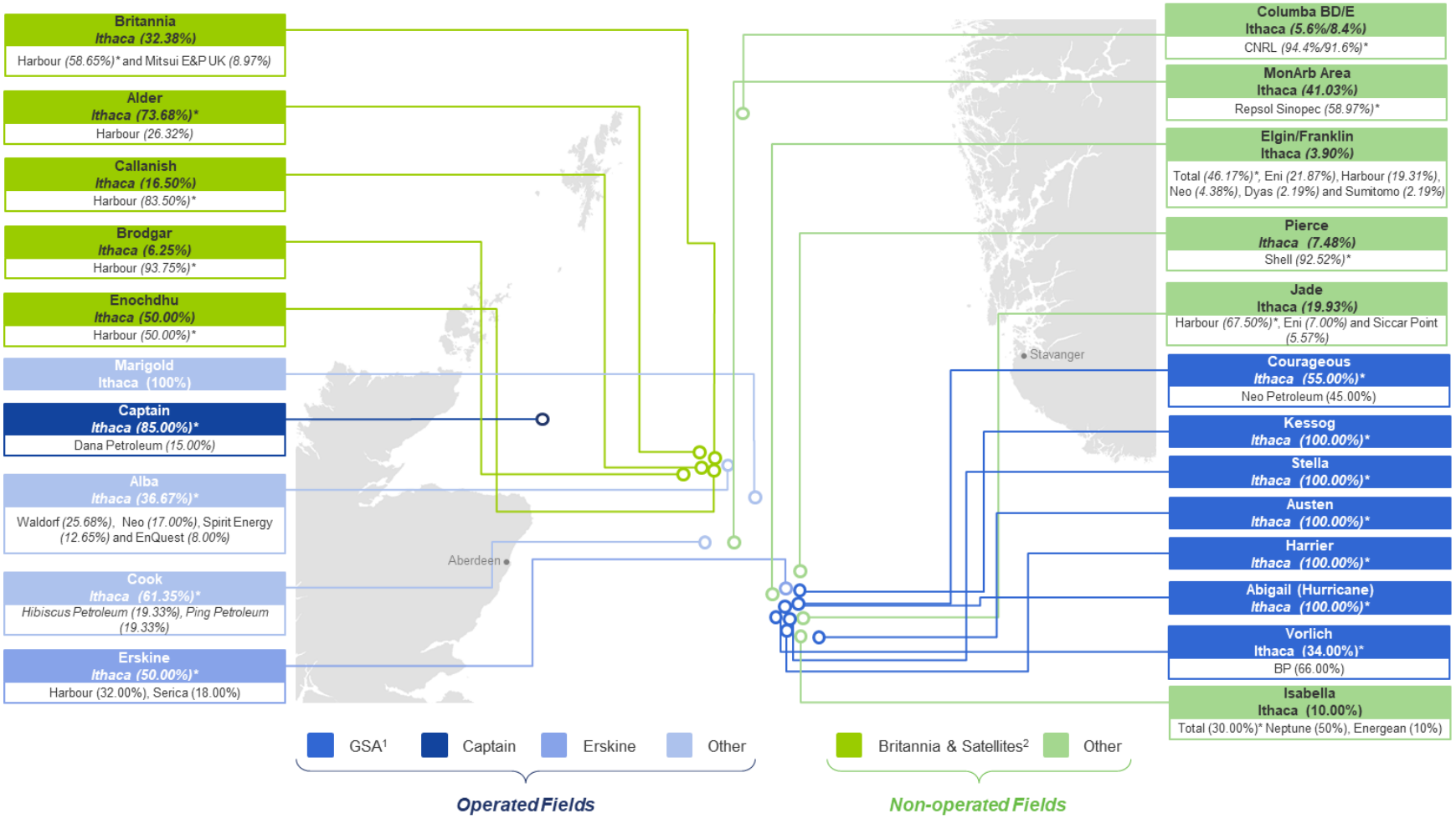
101 Including the producing Captain oil asset, the cluster of producing oil assets Alba, Erksine, Alder that are operated by Ithaca Group and the cluster of producing oil fields Britannia, Brodgar, Callanish, Enochdhu, Jade, Elgin-Franklin, that are not operated by Ithaca Group. For further information concerning these assets, see the table below.

102 The Columba Terraces oil assets and the Rubie, Renee and the Pickerill fields. The oil assets of Marubeni are located in the North Sea on the UK Continental Shelf and are not operated by the Ithaca Group. For further information concerning these assets, see the table below.

(5) Map of Ithaca's assets

Ithaca's oil assets are divided, as aforesaid, into four main asset groups: the producing Captain oil asset, GSA Project, Ithaca Group's Operated Assets and Non-operated Assets.

Below is a map indicating the location of Ithaca's oil assets on the UK Continental Shelf in the North Sea:



(B) Resources and cash flow information with regard to Ithaca's oil assets (consolidated)

(1) General

For further information concerning the resources and discounted cash flows relating to all of Ithaca's assets (consolidated) as at December 31, 2021, see Section 2 of the NSAI Report. A letter of consent from NSAI to include the foregoing Resources Report in this Report, including by way of reference is also attached as Appendix B to this Report.

For further information concerning the resources and discounted cash flows relating to the oil assets acquired subsequent to the date of the Report, as part of finalization of the Marubeni Transaction, as at December 31, 2021, see Section 2 of the Marubeni Resources Report. As at the date of approval of the Report, there has been no change to this information. Attached as Appendix B to this Report is a letter of consent from NSAI to include the foregoing Resources Report in this Report, including by way of reference, and a letter from NSAI concerning the absence of significant changes with respect to the oil assets acquired under the Marubeni Transaction.

(2) Reconciliation between the data in previous reports with regard to the volume of reserves attributed to the oil asset

On March 22, 2021, the Company published NSAI's Resource Report, which included an evaluation of resources attributable to the oil assets as at December 31, 2021 (Ref. No.: 2021-01-040680) (hereinafter - the "Previous Report"). Below is a breakdown of key data regarding the major differences between the volumes of resources attributed to Ithaca's oil assets in the current Resources Report and the Previous Report (in MBOE):

	December 31, 2020	December 31, 2021				
	Total according to the Previous Report	Total output in 2021	Total according to previous report, taking production into account	Total according to current NSAI Report	Total change in volume	% change
Total P2 reserves	**195,494**	**21,395**	**174,099**	**183,561**	**9,462 (1)**	**A 5% increase**
Total C2 contingent resources	**102,113**	**-**	**-**	**107,018**	**4,905 (2)**	**A 5% increase**
Total P2 + C2 resources	**297,607**	**21,395**	**276,212**	**290,579**	**14,367**	**A 5% increase**

The differences between the data presented in the Previous Report and that in the current NSAI Report, as set out in the foregoing table, are mainly due to:

(1) The estimated 2P reserves remaining in the Captain, Elgin Franklin and Vorlich fields decreased, the estimated remaining reserves in the Britannia, Cook, Pierce, Stella and Harrier fields increased, and reserves were added following the Jade South discovery and the increase in participating rights in the Alba field.

(2) The estimated 2C contingent resources in the Erskine, Stella, Leverett and Harrier fields increased and 2C contingent resources were added following the Fotla discovery. The estimated 2C contingent resources in the Captain field decreased and there was a decline in the estimated contingent resources due to relinquishment of the Nutmeg and Surprise oil assets.

Total output in 2021 amounted to 21.4 MMBOE.

It should be clarified that the resources data above exclude resources attributed to the oil assets for which the acquisition was finalized subsequent to the date of the Report, under the Marubeni Transaction. Had the Marubeni transaction been finalized before December 31, 2021, the net remaining 2P reserves of Ithaca would have been 23 MMboe higher, amounting to 207 MMboe total 2P reserves. For further information concerning the reserves and discounted cash flows relating to the Marubeni Transaction assets as at December 31, 2021, see Section 2 of the Marubeni Resources Report

On January 2, 2022, the Company published NSAI's Resources Report, which included an evaluation of resources attributable to Marubeni as at December 31, 2020 (Ref. No.: 2022-01-000874) (the "Previous Marubeni Report"). For information regarding the major differences between the volumes of resources attributed to Marubeni's oil assets in the current Resources Report and the Previous Marubeni Report, see Sections 3 and 4 of the Marubeni Resources Report.

Below is a breakdown of the Ithaca Group's key asset groups.

(C) Captain Reservoir

(1) General

The Captain field, which covers an area of 85 sq. km and contains heavy oil and natural gas (hereinafter - the "Captain Field"). The Captain Field is divided into three areas: (1) Area A, which is the central area of the Field and contains 19 producing wells; (2) Area B, which is the eastern part of the Field and contains 14 production wells; and (3) Area C, which is located in the far eastern part of the Field and contains 3 production wells. These areas fall under the P.324 license, in which Ithaca Group holds 85% of the rights. North of this license area there are two additional exploration stage licenses, P. 2513 Captain Extension and P.2514 Housedon.

In 2021, Ithaca relinquished the license of two non-producing assets (Nutmeg and Surprise), which are located in the P.2356 license area adjacent to the Captain field.

In the Captain field, Ithaca applies the EOR production method, a method intended to improve the flow rate of the oil by increasing viscosity by injecting polymers into the wells. As at date of approval of the Report, the Captain Field Area A has 3 producing wells in which sea water injection is used and 5 polymer injection wells. In addition, the Captain Field Area B has 4 producing wells in which sea water injection is used. It is noted that, under the Chevron Transaction, a mechanism was provided for polymer use as well as the usage rights prior to the acquisition.

The crude oil produced from Captain Field is treated via two production and treatment facilities, and from there stored in a floating production storage and offloading vessel (hereinafter in this section - the "Floating Facility") that is stationed in Area A of the Field and is wholly owned (100%) by the partners in the Captain Field (License P.324). From the Floating Facility the crude is transferred to shuttle tankers used for maritime shipping of the crude, and from there directly to customers.

(2) General details:

General details	
Name of oil asset:	Captain
Location:	The Captain Reservoir is located in the North Sea, on the UK Continental Shelf about 145 km off the UK shoreline, at marine depth of 105.5 meters.
Type of oil asset and description of permitted operations according to the type:	Exploration, development and production licenses for oil and gas resources issued by the UK government
Original grant date of the oil asset:	Captain P.324 - Jun. 10, 1981 Captain Extension P.2513 – Dec. 1, 2020 Housedon P.2514 – Dec. 1, 2020
Original expiry date of the oil asset:	Captain P.324 - Mar. 15, 2018 Captain Extension P.2513 – Dec. 1, 2026 Housedon P.2514 – Dec. 1, 2025
Dates of decisions regarding extension of the term of the oil asset:	Captain P.324 - Mar. 12, 2018
Current expiry date of the oil asset:	Captain p. 324 - a producing asset and therefore no expiry date was set. The license may expire if production is discontinued for 12 consecutive months. Captain Extension P.2513 – Dec. 1, 2026 Housedon P.2514 – Dec. 1, 2025

General details	
Note whether there are additional options for extending the term of the oil asset; if such option exists - the term of the possible extension should be noted:	P.2513 - subject to completing certain operations in the work plan, the term of the license may be extended until December 1, 2042. P.2514 - subject to completing certain operations in the work plan, the term of the license may be extended until December 1, 2029, with an additional extension through to September 30, 2047.
Note name of the operator:	Ithaca UK
Names of the direct partners in the oil asset and their direct share in the oil asset and, to the best of the Company's knowledge, the names of the controlling shareholders in the partners	Captain P.324: Ithaca Group - 85% Dana Petroleum (E&P) Limited ("Dana Petroleum")[103] - 15% Captain Extension, Housedon P.2514 & P.2513: Ithaca Group - 100%

General information about the Company's share in the oil asset	
Acquisition date:	P.324, P.185 The interests were acquired under the Chevron Transaction that was signed on May 29, 2019 and is valid since January 1, 2019. P.2514 & P.2513: The interests were acquired in Tender No. 32 for license tenders in the UK.
Description of the Company's holding in the oil asset:	Through the Company's holdings (indirect) in Ithaca shares
Effective share of oil asset revenues attributable to equity holders of the Company (subject to closing of the transaction):	Captain P.324 - 85% Captain Extension, Housedon P.185, P.2356, P.2514, P.2513: 100%
Total share of equity holders of the Company in the cumulative investment in the oil asset in the five years preceding the last day of 2021 (whether recognized as an expense or as an asset in the financial statements):	USD 328 million

(3) Past operations and additional information:

The Captain Field was discovered in 1977 by a third party, and development of the field began in 1995. In Areas A, B and C, which lie in the license P.324 area, production began in 1997, 2001 and 2006, respectively.

The Floating Facility and production and treatment facilities were installed in Area A of the Field in 1996. In 2000 an additional production and treatment facility was installed, that was connected to the first facility in 1996, as aforesaid. In addition, in 2000 a subsea pipeline was installed in Area B of the Field. Another subsea pipeline was laid in 2006 to allow further development of Area C of the Field. All these facilities are owned by the partners in the Captain Field (License P.324).

In 2000, IOGL's rights in the P.324 and P.185 licenses were acquired, and in October 2018 the OGA granted IOGL the rights in License P.2356 under a tender.

In November 2018, the Captain Field partners obtained OGA approval for the field development plans that refer to the EOR development method. The development plan will be implemented in two

[103] To the best of the Company's knowledge, a wholly-owned private company (100%) of Korea National Oil Corporation, the national oil and gas company of South Korea.

stages (Stage A, Area A of the Field and Stage B, Areas B and C of the Field) and includes mainly an undertaking to drill seven additional wells and injection of polymers to the field to accelerate the oil recovery rate. As at the approval date of the Report, Stage A of the development plan, which included drilling of five producing wells and two polymer injection facilities in Area A of the field, has been completed. Due to the Covid-19 pandemic, the development plan is yet to be completed.

(4) Compliance with work schedule:

To the best of the Company's knowledge, the binding work schedule for the foregoing assets, until the date of publication of this report, has been fully implemented.

(5) Actual and planned work schedule:

Below is a summary description of the main actions actually carried out in the oil assets in the Captain Area as from January 1, 2019 and a summary description of planned actions:

Period	Summary of operations implemented in the period and the planned work schedule	Estimated total budget for operations on the level of the oil asset (in USD millions)	Actual participation of the Company's equity holders in the budget (in USD millions)
2019	• Area A - Captain Field - completion of Stage A for EOR	92	78
2020	• A number of projects, including replacing undersea pipelines, maintenance work on the rig and integrated control and safety system (ICSS).	38	32
2021	• Continuing drilling in Area A and upgrading the facilities • Areas B and C - Captain Field - approval of plan to expand the use of the EOR method in these areas and development of the reservoir lower strata • Nutmeg, Surprise - decision regarding execution of exploration drilling as per the terms of the license • Further polymer injection as part of the restoration	128	109
2022	• Continuing drilling in Area A and upgrading the facilities • Captain Field - Area B and C - further polymer injection	280	238
2023	• Continuing drilling in Area A and upgrading the facilities • Captain Field - Area B and C - further polymer injection	256	217
2024 onwards	• Continuing drilling in Area A and upgrading the facilities • Captain Field - Area B and C - further polymer injection	901	767

Forward-looking information - the information concerning the planned operations in the oil field, including with regard to costs, time schedules and actual execution, is forward-looking information, as defined in the Israel Securities Law, and are based the assessments of Ithaca Group that depend, among other things, on third parties, climate conditions, economic conditions, regulatory changes, technical capacities, availability of equipment and other factors that are beyond the Company's control. Consequently, implementation of the work schedule, including timetables and costs, may differ materially from the estimates described above.

(6) Share in the actual expenses and revenues relating to the Captain Reservoir:

The actual rate of participation in the expenses and revenues regarding the asset group that were attributed to the equity holders of the Company are equivalent to Ithaca's rights in these assets, as

specified in the foregoing tables in Section (2) above (under General Details), as no royalties are paid with regard to these assets to the UK government or third parties, and no other derivative royalties whatsoever are paid from the income and expenses.

(7) Description of material agreements between the partners in the Assets:

A. Captain Field (License P.324) JOA:

The exploration, development and production operations under License P.324 are carried out through a joint operating agreement signed on April 25, 1997 that is amended from time to time (hereinafter in this section - the "JOA" or the "Agreement"). As at Reporting Date, the parties to the agreement are Ithaca Energy (UK) Limited (hereinafter - "IEUK"), Ithaca Minerals (North Sea) Limited and Dana Petroleum (E&P) Limited, and it provided, inter alia, regarding the following issues: regulating the interests of the various parties in the oil asset; ownership of the asset; supervision, control and distribution of the risks involved in the exploration, development and production of oil and gas in the assets; procedures and methods for submitting and approving of work schedules, budgets and AFE authorizations, and for executing the operations in the fields that the JOA relates to. The JOA provisions also relate to the following matters: the joint venture parties; the role and authority of the designated operator for the asset; the joint operating committee, its powers, voting interests and how decisions will be made; exploration, development and production decision making mechanisms, and procedures for determining budgets; transfer of rights in an oil asset; decommissioning guidelines; obligations; dispute resolution; and accounting procedures. It is noted that the JOA permits transfer of participation rights of a party to the asset, in whole or in part, only if the transferee has financial and/or technical resources, including if the transferee is not a related party. A licensee partner's right of transfer as aforesaid is subject to the first refusal rights of the other partners (other than when transferring to a related party of the transferring partner), which gives them priority to purchase the rights before they are offered to a third party.

The Operator (IEUK), will act both as a holder of rights in the asset and on behalf of all the partners as the Operator under the supervision of the joint operating committee. The definition of the Operator's role includes: (i) submitting and approval of work plans, budgets, and authorizations for expenditure (AFE) for the executing the operations in the fields that the JOA applies to, subject to the approval of the joint operating committee; (ii) planning, ordering and receiving necessary materials and services; (iii) providing technical, accounting and consulting services required for the joint operation of the asset

A party that fails to pay its pro rata share in the joint expenses on time, including advance payments and interests, will be considered to be a breaching party (hereinafter - the "Breaching Party"). If the breach continues for a period as set in the JOA (usually 6 business days from the Breaching Party's receipt of notice of arrears) the non-breaching parties will pay the Breaching Party's debt (pro rata to their interest), and the Breaching Party will not be entitled to receive its share of the oil, and this share will become the property of the non-breaching parties, and they will be entitled, subject to the procedures set out in the JOA, to collect their due from this share up to full payment of the amount in the breach. If the breach continues for longer, as set out in the JOA (exceeds 60 days), the Breaching Party's rights may be forfeited and allocated among each of the non-breaching parties pro rata to their holdings.

Given the fact that IEUK holds 85% of the rights in the JOA, based on a mechanism in the JOA, it will make most decisions, other than decisions with regard to waiving part of the areas under the License, and any decision that would mean waiving the License, which would require a unanimous decision.

B. As the Ithaca Group wholly-owns (100%) the interests in the P.2356 and P.185 licenses, there is no JOA for these licenses.

(8) Captain Project resources and discounted cash flow data

For further information concerning the resources in the Captain Reservoir and discounted cash flows deriving from it as at December 31, 2021, see Section 3 of the NSAI Report. Attached as Appendix B to this Report is a letter of consent from NSAI to include the foregoing Resources Report in this Report, included herein by way of reference.

(D) GSA Project

(1) General

The GSA Project is made up of the producing oil assets Stella, Vorlich and Harrier, as well as three additional oil assets - Abigail (previously known as Hurricane), Courageous and Kessog, which, as at Reporting Date, are non-producing fields. Ithaca UK serves as the Operator in all these licenses.

In all the GSA Project oil assets, exploration and appraisal drillings were carried out by third parties in the past, and petroleum reservoir were discovered, as will be detailed below.

Production from the GSA Project producing oil assets is carried out using the floating production facility, FPF-1, that is owned by Ithaca (hereinafter - the "Floating Production Facility"). The floating production facility is connected to the subsea infrastructure that includes two main pipelines to the UK market: the Central Area Transmission System (hereinafter - "CATS") and the Norpipe Pipeline, that lies in the North Sea and supplies oil to the UK shore, as an alternative to using tankers.

Production from the Stella oil asset commenced in February 2017. Ithaca's total investment in establishing the GSA Project production infrastructure and the development of the Stella field amounted to USD 700 million.

In 2018 Ithaca completed the development of the Harrier oil asset and its connection to the Floating Production Facility, and in 2019 Ithaca drilled an additional production well in the Stella Field and participated in a joint venture with BP for drilling two additional producing wells in the Vorlich Field.

In 2020 Ithaca completed connecting Vorlich Field to the floating production facility and to begin acquiring the necessary items for developing the Hurricane oil asset. In the next few years, Ithaca intends continuing to connect the rest of the reservoirs in the GSA Project to the floating production facility, other than the Kessog field, which may be developed using third party infrastructures.

The use of the Floating Production Facility as the key infrastructure of the GSA Project fields contributes to lowering the costs involved in development and in production of oil and natural gas from the close-by fields, over many years.

On December 12, 2018, Ithaca closed a transaction to acquire additional interests from its partners in the GSA Projects and to date Ithaca Group holds all the rights in the Floating Production Facility and all the rights in the GSA Project licenses, other than the Vorlich and Courageous licenses, and all as set out in the table below. In return for the purchase of the additional rights, Ithaca paid an amount of USD 190 million and agreed to a new payment schedule for Ithaca's existing debt to Petrofac, in the amount of USD 140 million. Accordingly, on the completion date of the transaction, Ithaca paid USD 130 million (net of cash flows received as of the effective date of the transaction (January 1, 2018) plus an additional USD 20 million, that constituted an advance payment with respect to the existing debt), in addition, Ithaca paid one of the sellers an additional consideration of approximately USD 10 million (which was conditional on the performance of the Stella and Harrier Reservoir); in addition, Ithaca paid one of the sellers an additional consideration of USD 10 million (conditional upon the performance of the Stella and Harrier reservoirs), in addition to the remaining payments to Petrofac in the amount of approximately USD 115 million, which will be paid by 2023.

(2) General details

General details	
Name of oil asset:	The GSA Project includes a cluster of oil assets, as set out below, with three producing reservoirs, Stella, Harrier and Vorlich reservoirs, and two assets under development: Hurricane and Courageous.
Location:	North Sea, some 250 km east of the UK shoreline
Type of oil asset and description of permitted operations according to the type:	Exploration, development and production licenses for oil and natural gas resources issued by the UK government
Original grant date of the oil asset:	Stella & Harrier: P.011 - Sep. 18, 1964 Vorlich: P.363 - Dec. 17, 1980 P.1588 - Feb. 12, 2009 Abigail (formerly Hurricane): P.1665 - Feb. 12, 2009 Courageous: P.2397 - Oct. 1, 2018 Kessog: P.2554 – Dec. 1, 2020
Original expiry date of the oil asset:	Stella & Harrier: P.011 - Sep. 17, 1970 Vorlich: P.363 - Dec. 16, 1986

General details	
	P.1588 - Nov. 11, 2014 Abigail (formerly Hurricane): P.1665 - Feb. 11, 2013 Courageous: P.2397 - Sep. 30, 2023 Kessog: P.2554 – Dec. 1, 2025
Dates of decisions regarding extension of the term of the oil asset:	Stella & Harrier: P.011 – Sep. 17, 2013 Vorlich: P.363 – Dec. 16, 2020 P.1588 – Oct. 12, 2018 Abigail (formerly Hurricane): P.1665 – Nov. 30, 2020
Current expiry date of the oil asset:	Stella & Harrier P.011 - fields under a production license and therefore no expiry date was set. The license may expire if production is discontinued for 24 consecutive months. Vorlich P.363 - fields under a production license and therefore no expiry date was set. The license may expire if production is discontinued for a period of 12 consecutive months. P.1588 - Feb. 11, 2035 (estimate) Abigail (formerly Hurricane): P.1665 – Nov. 30, 2020 Courageous P.2397 – Mar. 30, 2023 Kessog: P. 2554 - Dec. 1, 2025
Note whether there are additional options for extending the term of the oil asset:	Abigail (formerly Hurricane): P.1665 - subject to completion of certain operations in the work plan, the term of the license may be extended through to February 11, 2035 (estimate only). Courageous: – P.2397 - subject to completion of certain operations in the work plan, the term of the license may be extended through to September 30, 2027, with an additional extension through to September 30, 2045 (estimate only). Kessog: P.2554 - subject to completion of certain operations in the work plan, the term of the license may be extended through to December 1, 2031, with an additional extension through to December 1, 2049 (estimate only).
Note name of the operator:	Ithaca UK serves as the Operator in all these licenses.
Names of the direct partners in the oil asset and their direct share in the oil asset and, to the best of the Company's knowledge, the names of the controlling shareholders in the partners	Stella & Harrier: P.011 - Ithaca Group - 100% Vorlich: P.363 (Block 30/1c Lower): Ithaca Group - 50% BP Exploration - 50% P.363 (Block 30/1c Upper): Ithaca Group - 20% BP Exploration - 80% P.1588 - Ithaca Group - 100% Abigail (formerly Hurricane): P.1665 - Ithaca Group - 100% Courageous: P.2397: Ithaca Group - 55%

General details	
	Zennor North Sea Limited104 - 45% Kessog: P.2554: Ithaca Energy (UK) Limited - 100%

General information about the Company's share in the oil asset	
Acquisition date of the lease for the acquired oil asset:	Ithaca first acquired interests in the Stella, Harrier and Abigail (formerly Hurricane) licenses in 2008-2009. Ithaca first acquired the rights in the other GSA licenses in 2020-2016.
Description of the Company's holding in the oil asset:	Through the Company's holdings of all of Ithaca shares.
Effective share of oil asset revenues attributable to equity holders of the Company:	Stella & Harrier - 96.67% Abigail (formerly Hurricane) - 100% Vorlich - 34% Courageous - 55% Kessog – 100%
Total share of equity holders of the Company in the cumulative investment in the oil assets in the five years preceding the last day of 2021 (whether recognized as an expense or as an asset in the financial statements):	Stella & Harrier – USD 65 million Abigail Field (formerly Hurricane) – USD 49 million Vorlich Field - USD 96 million

(3) Compliance with the work schedule

To the best of the Company's knowledge, the binding work schedule for the foregoing assets, until the date of publication of this report, has been fully implemented.

(4) Actual and planned work schedule

Below is a breakdown of the main actions actually carried out in the GSA Project oil and natural gas assets from January 1, 2019 through publication of this Report and of the planned operations:

Period	Summary of actual operations in the period or of the planned work plan	Estimated total budget for operations according to oil asset (in USD millions)	Actual participation of the Company's equity holders in the budget (in USD millions)
2019	• Vorlich Reservoir: Completion of planning and development of Vorlich Reservoir, including drilling of two production wells: • Stella Reservoir: Completing drilling of an additional well in the Stella Reservoir, the purpose of the well is to increase production from the reservoir. • Engineering work in the Austen, Abigail (formerly Hurricane) and Courageous fields	235	117
2020	• Connection of the Vorlich reservoir was completed and commercial production began • Execution of further operations necessary for developing the oil asset in the Abigail (formerly Hurricane) license • Engineering work in the Austen and Courageous fields	27	17

104 To the best of the Company's knowledge, a private company wholly owned and controlled (100%) indirectly by the Kerogen Energy Fund II LP investment fund.

Period	Summary of actual operations in the period or of the planned work plan	Estimated total budget for operations according to oil asset (in USD millions)	Actual participation of the Company's equity holders in the budget (in USD millions)
2021	• Necessary operations for developing the Abigail (formerly Hurricane) oil asset have been completed	33	33
2022	• To complete necessary operations for developing the Abigail (formerly Hurricane) oil asset	79	79
2023 onwards	• To complete necessary drilling of a second well in Harrier	81	81

Forward-looking information - the foregoing estimates concerning the planned operations in the GSA Project, including with regard to costs, time schedules and actual execution are forward-looking information, as defined in the Israel Securities Law, and are based the assessments of Ithaca Group that depend, among other things, on third parties, climate conditions, economic conditions, regulatory changes, technical capacities, availability of equipment and other factors that are beyond the Company's control. Consequently, implementation of the work schedule, including timetables and costs, may differ materially from the estimates described above.

(5) Further information concerning the GSA Project

A. Stella/Harrier oil asset

The Stella/Harrier oil asset comprises two fields: the Stella field that was discovered by a third party in 1979, with an area of 22 sq. km, and containing oil, natural gas and condensate, and the Harrier field, that was discovered by a third party in 2002, located 10 km to the south of the Stella Reservoir and containing oil and natural gas. As at Reporting Date, Ithaca holds all the rights (100%) in the asset and serves as the Operator.

Ithaca first acquired rights to 66.67% of the Stella/Harrier asset in 2008 from third parties, and under the transaction undertook to pay the sellers an overriding royalty of 5% for the rights purchased from them at a rate of 66.67% (i.e. 3.33%). Ithaca acquired the remaining rights in the license in 2018.

Prior to the acquisition of the rights, third parties carried out 10 exploration and appraisal drillings in the license area.

In the Stella Reservoir, in 2013-2015, Ithaca completed drilling of five development wells and began production from the reservoir via the Floating Production Facility in February 2017. Ithaca's total investment in the Stella Reservoir development plan amounted to USD 700 million.

Implementation of the Harrier Reservoir development plan began in early 2017. The development included one drilling that consisted of two sidetracks into two target layers, which were completed in September 2017. In 2018, installation of a 7.5 km long subsea pipeline was completed, connecting the reservoir to the Floating Production Facility. Initial production from the Harrier Reservoir began in July 2018. Ithaca's total investment in the Harrier Reservoir development plan amounted to USD 62 million (for 66.67% of the participation rights).

B. Abigail (formerly Hurricane) oil asset

The rights in the Abigail (formerly Hurricane) oil asset (100%), which is located about 10 km west of the Stella and Harrier Reservoirs, were granted to Ithaca by the UK authorities in 2009. The existing reservoir in the oil asset's area was discovered by a third party in 1995, and contains natural gas and condensate. In 2012, Ithaca conducted appraisal drilling in the field, and production verification tests. In 2020 Ithaca submitted a detailed development plan to the Authority that supervises operations in the field, according to which production from this reservoir is planned to begin in 2022. The development plan was approved during January 2022. It is noted that the authorities officially changed the name of the field from Hurricane to Abigail.

C. Vorlich oil asset

The Vorlich Reservoir, discovered by third parties in 2014, lies in the area of two licenses, the Vorlich (P363) license (hereinafter - "Vorlich-1") and Vorlich (P1588) license (hereinafter - "Vorlich-2");

commercially, the Vorlich-1 license is divided into two tiers: Block 30/1c Lower and Block 30/1c Upper; Ithaca has different percentages of the rights in each of those tiers, as described in the above table (hereinafter - the "Vorlich Reservoir").

Ithaca acquired the rights in the Vorlich licenses from third parties in 2016. The area in which the Vorlich Reservoir is located is subject to a unitisation agreement uniting Vorlich-1 and Vorlich-2 licenses, which was signed on September 2018 between Ithaca and BP Exploration, which is the operator in the Vorlich licenses. Under the agreement it was agreed that, inter alia, Ithaca's interests and liabilities in the Vorlich licenses will be 34%. For further information regarding this agreement, see Section 1.8.4.(D)(7)b below.

The Vorlich Reservoir contains light oil, and is located about 10 km north of the Stella Reservoir. Once the exploration and evaluation plan was completed in 2014, ongoing and focused assessments were made in order to formulate an optimal development plan for the reservoir. In 2018, a detailed plan was submitted for the development of the reservoir, which was approved by the competent authority. The development plan for the reservoir includes the drilling of two producing wells in 2019, and connecting the wells to the Floating Production Facility via new subsea infrastructure in 2020. Production from the Vorlich reservoir began on November 8, 2020.

D. Courageous oil asset

The existing reservoir in the Courageous oil asset's area, was discovered in the past by third parties, and contains oil, natural gas and condensate reserves. In the past, six exploration and appraisal drillings were carried out in the reservoir by third parties, the last of which was in 2014. Ithaca was granted 55% of the rights in the license, by the UK authorities in 2018. The remaining rights are held by a third party, and Ithaca serves as Operator. In 2021 Ithaca carried out engineering studies in the field to locate the optimal point for drilling two development wells. The field development plan includes subsea connection to the Floating Production Facility, similar to the other GSA Project fields. Production is expected to begin in the Courageous Reservoir only after the start of production from the Abigail (formerly Hurricane) field.

E. Kessog license

The existing reservoir in the Kessog oil asset's area was discovered in the past by third parties, and contains natural gas and condensate reserves. In the past, five exploration and appraisal wells were drilled in the oil asset's area by third parties, the last of which was in 2009. In 2020, the UK authorities granted Ithaca full (100%) of the rights in the license, and Ithaca also serves as the Operator in this field. In 2022, Ithaca plans to carry out engineering tests to locate the optimal point for drilling.

(6) Actual share in the expenses and income of the GSA Project

The actual rate of participation in the income and expenses of the Abigail (formerly Hurricane), Vorlich, Courageous and Kessog oil assets that is attributed to the equity holders of the Company are equivalent to Ithaca's rights in these fields, as specified in the foregoing tables in subsection (2) above (under General Details), as no royalties are paid with regard to these assets to the UK government or third parties, and no other derivative royalties whatsoever are paid from the income and expenses.

The actual rate of participation in the income and expenses of the Stella/Harrier oil asset are as set out in the table below:

Participation rate	%	Percentage grossed up to 100%	Explanations
Actual rate attributable to equity holders of the Company in the oil asset	100%	100%	
Actual rate attributable to equity holders of the Company in revenues from the oil asset	96.67%	96.67%	A royalty of 5% for 66.67% of the rights (i.e., net 3.33%) is paid to third parties from which the rights were purchased.
Actual rate of participation of the Company's equity holders in expenses arising from exploration, development or production operations in the oil asset	100%	100%	

(7) Description of material agreements between the partners in the GSA Project

A. Subsequent to the acquisition of the additional rights in the GSA Project in December 2018, Ithaca holds all the rights (100%) in the GSA Project licenses, other than in the Vorlich and Courageous fields. In the licenses in which Ithaca has partners, a joint operating agreement was signed, regulating the exploration, development and production operations between the partners in the oil assets (hereinafter in this section - the "JOA" or the "Agreement"). The provisions of the JOA deal with, among other things, the following matters: regulating the interests of the various parties in the oil asset; ownership of the asset; supervision, control and risks involved in the exploration, development and production of oil and natural gas in the assets; procedures and methods for submitting and approving of work schedules, budgets and authorizations, and for executing the operations in the fields that the JOA relates to. In addition, the JOAs define, among other things, the duties and powers of the Operator; the joint operating committee, its powers, voting interests and how decisions will be made; exploration, development and production decision making mechanisms, and procedures for determining budgets; exchange and transfer of rights in an oil asset; decommissioning guidelines; obligations; dispute resolution; and accounting procedures.

The relevant operator of each oil asset, that also holds interests in the oil asset, will act both as a holder of rights in the asset and on behalf of all the partners in the oil asset as an operator under the supervision of the joint operating committee. The definition of the operator's role includes: (i) submitting and approval of work plans, budgets, and authorizations for expenditure (AFE) for the executing the operations in the fields that the JOA applies to, subject to the approval of the joint operating committee; (ii) planning, ordering and receiving necessary materials and services; (iii) providing technical, accounting and consulting services required for the joint operation of the asset.

A party that fails to pay its pro rata share in the joint expenses on time, including advance payments and interests, will be considered to be a breaching party (hereinafter - the "Breaching Party"). If the breach continues for a period as set in the JOA (usually between 3 to 6 business days from the Breaching Party's receipt of notice of arrears) the non-breaching parties will pay the Breaching Party's debt (pro rata to their interest), and the Breaching Party will not be entitled to receive its share of the output, and this share will become the property of the non-breaching parties, and they will be entitled, subject to the procedures set out in the JOA, to collect their due from this share up to full payment of the amount in the breach. If the breach continues for longer, as set out in the JOA (usually between 30 and 60 days), the Breaching Party's rights may be forfeited and allocated among each of the non-breaching parties pro rata to their holdings.

B. Furthermore, the Vorlich field is subject to a pre-development and pre-license consolidation agreement (hereinafter in this section - the "Agreement"), which applies to Ithaca and BP Exploration, the holders of the interests in the license. The Agreement stipulates, among other things, that the rate of Ithaca's rights and liabilities in the Vorlich license will be 34 The provisions of the Agreement, inter alia, deal with the following matters: the duties and powers of the operator in the asset, the withdrawal of the operator and removal as operator; the powers, duties and composition of the joint operating committee, the direction and management of pre-development operations; work plans and budgets for pre-development activities; the rights of the parties to the Agreement and costs of pre-development activities; provisions relating to the engagement in a license consolidation agreement which will take effect after receiving approval of the development plan; sanctions imposed on the parties to the Agreement and the conditions for such imposition; provisions and conditions regarding transfer and reassignment of rights under the Agreement; and provisions regarding the exchange of information between the parties to the Agreement; and provisions regarding the correlation between the provisions of the Agreement and the provisions of other agreements signed by the partners.

(8) GSA Project resources and discounted cash flow data

For further information concerning the resources in the GSA Project and discounted cash flows deriving from them as at December 31, 2021, see Section 4 of the NSAI Report. A letter of consent from NSAI to include the foregoing Resources Report in this Report, including by way of reference, is attached as Appendix B to this Report.

(E) Ithaca Group Operated Assets

(1) General

The cluster of assets operated by Ithaca Group consists of four producing oil assets (Alba, Erskine, Alder and Cook), in which Ithaca Group has varying interests (as set out in the table below) and in which it serves as Operator. Below is a breakdown regarding these reservoirs.

A. The Alba oil asset consists of two areas: (1) Alba Reservoir, covers an area of 45 sq. km, is located under License P.213, contains heavy oil and has 20 producing wells; in December 2021, a

transaction was completed whereby Ithaca purchased (through a subsidiary) 13.3% of the rights to the license. Subsequent to the completion of the transaction, Ithaca, which is the license's operator, holds 36.7% of the license's rights. For further information, see the Company's immediate report dated December 5, 2021 (Ref. No. 2021-01-176016), the details of which are included herein by way of reference. (2) The area to the south of the Alba field is under the P.2373 license. In September 2021, after the completion of an exploration drilling in the area of the P.2373 license (hereinafter - the "Fotla Well"), Ithaca announced the discovery of oil and natural gas in the Fotla Well. For more information, see the Company's immediate reports of September 30, 2021 and November 30, 2021 (Ref. Nos.: 2021-01-081658 and 2021-01-174063, respectively), included herein by way of reference. There are applicable JOAs for each of these assets.

The crude oil produced from Alba Reservoir (License P.213) is conveyed to the production and treatment rig and from there to a floating storage unit via a 12-inch subsea pipeline, and from there shuttle tankers are used for maritime shipping of the crude oil. The rig and the floating storage unit are wholly owned by all the partners in the License.

B. The Erskine oil asset consists of a producing reservoir that covers an area of 27 sq. km., and contains high pressure and high temperature (HPHT) natural gas and condensate. The reservoir lies in the area of two licenses that are held at different rates by Ithaca Group, as set out below. The partners in these licenses signed a Unit Agreement to regulate the joint operations in the licenses. There are 5 producing wells in Erskine reservoir.

The gas and condensate produced from the reservoir are processed on an unmanned rig owned by the Erskine Field partners. The rig is located over the wells to regulate the pressure and is tied in, via a subsea pipeline, to the Lomond Platform, that is wholly owned by Chrysaor Limited (hereinafter - "Chrysaor"), which is one of the partners in the reservoir. The gas is then transmitted to the CATS pipeline and the condensate is transmitted via the Forties Pipeline system.

C. The Alder oil asset consists of a producing reservoir that covers an area of 23 sq. km., and contains high pressure and high temperature (HPHT) natural gas and condensate and lies in the area of License P.119, as set out below. The reservoir has one producing well.

The gas and condensate produced from the reservoir is processed on the Britannia rig that is wholly owned by the Britannia Field partners, as set out below. From there the gas is transmitted via the Sage pipeline system and the condensate via the Forties Pipeline to the St. Fergus terminal.

D. The Cook oil asset consists of a producing reservoir that covers an area of 12 sq. km., and contains high pressure and high temperature (HPHT) natural gas and condensate. The reservoir has one producing well.

The gas and oil produced from the reservoir are treated on a floating production, storage and offloading facility (FPSO) that is wholly owned by a third party (The Anasuria Operating Company), as set out below. [please check]. From there the gas is transmitted via the FulMar pipeline system to the St. Fergus terminal and the crude oil is transferred to shuttle tankers used for maritime shipping of the crude, and from there directly to customers

(2) General details:

General details	
Name of oil asset:	Four producing reservoirs, and adjacent exploration licenses, as well as a development license: Alba; Erskine; Alder; Cook Marigold
Location:	The oil and gas assets are located in the middle of the North Sea on the UK Continental Shelf.
Type of oil asset and description of permitted operations according to the type:	Exploration, development and production licenses for oil and gas resources issued by the UK government
Original grant date of the oil asset:	**Alba:** P.213 - Jul. 10, 1972 P.2373 - Sep. 20, 2018 P.2536 – Dec. 1, 2020 P.2525 – Dec. 1, 2020

General details	
	Erskine: P.057 - Nov. 25, 1965 P.264 - Nov. 24, 1977 Alder: P.119 - Jun. 9, 1970 Cook: P.185 - Mar. 16, 1972 P.2532 – Dec. 1, 2020 P.2534 – Dec. 1, 2020 **Marigold** P.2158 – Dec. 1, 2014
Original expiry date of the oil asset:	**Alba:** P.213 - Mar. 15, 2018 P.2373 - Sep. 20, 2022 P.2536 – Dec. 1, 2025 P.2525 – Dec. 1, 2025 **Erskine**: P.057 - Nov. 24, 1971 P.264 - Nov. 23, 1981 Alder: P.119 - Jun. 8, 1976 **Cook:** P.185 - Mar. 15, 1978 P.2532 – Dec. 1, 2024 P.2534 – Dec. 1, 2026 **Marigold** P.2158 – Dec. 1, 2014
Dates of decisions regarding extension of the term of the oil asset:	**Alba:** P.213 - Mar. 12, 2018 **Erskine**: P.057 – Mar. 8, 2011 P.264 – Nov. 18, 2014 **Alder:** P.119 – Jun. 6, 2016 **Cook:** P.185 - Mar. 15, 2018
Current expiry date of the oil asset:	**Alba:** P.213 - a producing asset and therefore no expiry date was set. The license may expire if production is discontinued for 12 consecutive months. P.2373 - Sep. 30, 2026 P.2536 – Dec. 1, 2025 P.2525 – Dec. 1, 2025 **Erskine:** P.057 - a producing asset and therefore no expiry date was set. The license may expire if production is discontinued for 24 consecutive months. P.264 - similar to the P.213 license, see above Alder: P.119 - similar to the P.213 license, see above **Cook:** P.185 - similar to the P.213 license, see above P.2532 – Dec. 1, 2024 P.2534 – Dec. 1, 2026 **Marigold:** P.2158 – Dec. 1, 2022

General details	
Note whether there are additional options for extending the term of the oil asset; if such option exists - the term of the possible extension should be noted:	**Alba:** P.2373 - the term of the license can be extended through to Sep. 30, 2044.
Note name of the operator:	Ithaca UK serves as Operator in the Cook, Alder and Erskine fields and IOGL serves as Operator in the Alba and Marigold fields.
Names of the direct partners in the oil asset and their direct share in the oil asset and, to the best of the Company's knowledge, the names of the controlling shareholders in the partners	**Alba:** P.213: Ithaca Group - 36.7% Waldorf Production UK Limited[105] - 25.7% NEO Energy (SNS) Limited (“NEO”) [106]- 17% Spirit Energy Resources Limited[107] - 12.6% EnQuest Heather Limited[108] - 8% P.2373: Ithaca Group - 60% Spirit Energy Resources Limited - 40% **Erskine:** Ithaca Group - 50% Chrysaor109 - 32% Serica Energy (UK) Limited[110] - 18% **Alder:** Ithaca Group - 73.7% Chrysaor Production (U.K) Limited ("Chrysaor")[111] - 26.3% **Cook:** P.185, P.2532 Ithaca Group - 61.34% Ping Petroleum (UK) Limited[112] - 19.33% Anasuria Hibiscus (UK) Limited[113] - 19.33% P.2534 Ithaca Energy (UK) Limited - 100% **Marigold** P.2158 – Ithaca Oil and Gas Limited – 100%

105 To the best of the Company's knowledge, a privately held company which is largely held by Norwegian private capital.

106 To the best of the Company's knowledge, a wholly-owned private company (100%) of HitecVision, which is a private company.

107 To the best of the Company's knowledge, a wholly-owned private company (100%) of Centrica Plc, a public company traded on the London Stock Exchange, without a controlling core.

108 To the best of the Company’s knowledge, a public company listed on the NASDAQ, the London Stock Exchange and the Stockholm Stock Exchange.

109 To the best of the Company's knowledge, an indirectly wholly-owned private company (100%) of Harbour Energy Plc, a public company listed on the London Stock Exchange as a result of the completion of a merger between Chrysaor Holdings Limited and Premier Oil.

110 See footnote 19.

111 See footnote 19.

112 To the best of the Company's knowledge, a wholly-owned private company (100%) of Ping Petroleum Limited, which is a private company.

113 To the best of the Company's knowledge, a wholly-owned private company (100%) of Hibiscus Petroleum Bhd, a public company listed on the Malaysia Stock Exchange, without a controlling core.

General information about the Company's share in the oil assets	
Acquisition date:	All of these assets, excluding Cook Field, were acquired under the Chevron Transaction that was signed on May 29, 2019, and which became effective on January 1, 2019. 13.3% of Ithaca's rights in the P.213 license in the Alba field were purchased in December 2021 from Mitsui E&P UK Limited. Ithaca's interests in Cook Field were acquired between 2011 and 2014. Ithaca's interests in Marigold Field were acquired in March 2020 from Total E&P. Ithaca's interests in P.2536, P.2525, P.2532 and P.2534 were acquired under UK Government Tender 32.
Description of the Company's holding in the oil asset:	Through the Company's holdings (indirect) in Ithaca shares.
Effective share of oil asset revenues attributable to equity holders of the Company (subject to closing of the transaction):	Alba: P.213 - 36.7% P.2373 - 60% P.2536 - 50% P.2525 - 25% Erskine - 50% Alder - 73.7% Cook - P.185, P.2532 - 61.34% P.2534 - 100% Marigold P.2158 – 100%
Total share of equity holders of the Company in the cumulative investment in the oil assets in the five years preceding the last day of 2021 (whether recognized as an expense or as an asset in the financial statements):	Alba Reservoir – USD 29 million Erskine Reservoir – USD 13 million Alder Reservoir – USD 7 million Cook Reservoir – USD 53 million Marigold Reservoir – USD 5 million

(3) Past operations and additional information:

A. Alba Reservoir was discovered in 1984 by IOGL, and development of the reservoir began in 1991. Production in the License P.213 area began in 1994.

In 1993, the permanent production and treatment facility, Alba Northern Platform, was established in the P.213 license area and is owned by all the partners in the license.

As set out above, licenses P.2536 and P.2525 are exploration licenses adjacent to License P.213.

B. Erskine Reservoir was discovered in 1981 by a third party. Development of the reservoir began in 1995, and production began in 1997. In 2000 IOCL acquired the rights in Licenses P.264 and P.057, and IOGL became the Operator.

In 1996 a permanent production and treatment platform was established in the Erskine Reservoir, which is wholly owned by all the partners in the license

C. Alder Reservoir was discovered in 1975 by a third party. Development of the reservoir began in 2014, and production began in 2016. In 2000 IOGL acquired the rights in License P.119, and became the Operator of the asset.

It should be noted that Alder Reservoir was developed by drilling of a subsea well that is tied-in via a pipeline to the Britannia Field platform.

D. The Cook Reservoir was discovered in 1983 by a third party. Development of the reservoir began in 1998, and production began in 2000. Ithaca Group acquired additional participation rights in the reservoir at a rate of 61.5% from 2011 through 2014. In 2017 Ithaca UK was appointed the Operator of the oil asset. Licenses P.2532 and P.2534 are exploration licenses that were granted in December 2020, and are located adjacent to the License P.185.

E. The Marigold reservoir is located in Block B15/18 and was discovered by a third party in July 2015. Appraisal wells were drilled in March 2018 by a third party. The field contains oil, gas and findings that indicate the existence of gas in the Palaeocene Balmoral sands. Ithaca acquired the interests in the oil asset in March 2020 from Total E&P UK Ltd. Part of the consideration was paid on closing of the acquisition in March 2020 and the second part will be paid with the approval of the development plan for the field and once a certain minimum production of reserves is attained.

(4) Compliance with Work Schedules:

To the best of the Company's knowledge, as at date of approval of the Report, the binding work schedules for these assets have been fully implemented.

(5) Actual and planned work schedule:

Below is a summary description of the main actions actually carried out in the assets operated by the Ithaca Group as from January 1, 2019, as well as planned actions:

Period	Summary description of actions carried out during the period and the scheduled work plan	Estimated total budget for operations according to oil asset (in USD millions)	Actual participation of the Company's equity holders in the budget (in USD millions)
2019	• Alba Reservoir - CAPEX and additional expenses for operations regarding the completion of the drilling campaign that began in 2018. • Cook Reservoir - water injection drilling for the purpose of increasing the pressure in the reservoir and escalating production. • Cook Reservoir - laying of a subsea pipeline and tying into the water injection well.	135	56
2020	• Alba Reservoir - beginning driller that was stopped due to the Covid-19 pandemic	22	7
2021	• Alba reservoir - exploration drilling was completed in the area of the P.2373 license Alba Reservoir - drilling of supplementary wells and infrastructures upgrade	41	21
2022	• Alba Reservoir - drilling of supplementary wells and infrastructures upgrade	45	17
2023	• Alba Reservoir - drilling of supplementary wells and infrastructures upgrade	103	38
2024 onwards	• Alba Reservoir - drilling of supplementary wells and infrastructures upgrade	87	32

Forward-looking information - the information concerning the planned operations in the oil and gas fields, including with regard to costs, time schedules and actual execution, is forward-looking information, as defined in the Israel Securities Law, and are based the assessments of Ithaca Group that depend, among other things, on third parties, climate conditions, economic conditions, regulatory changes, technical capacities, availability of equipment and other factors that are beyond the Company's control. Consequently, implementation of the work schedule, including timetables and costs, may differ materially from the estimates described above.

(6) Actual participation rates in the income and expenses in the Ithaca Group Operated Assets:

The actual rate of rights and participation attributed to the equity holders of the Company are equivalent to Ithaca's rights in these assets, as specified in the foregoing tables (under General Details), as no royalties are paid with regard to these assets to the UK government or third parties, and no other derivative royalties whatsoever are paid from the income and expenses.

(7) Description of substantial agreements between the partners in the assets operated by Ithaca Group:

Exploration, development and production in the assets operated by Ithaca Group are carried out under a joint operating agreement (JOA) signed between the partners with respect to each asset.

With regard to the Erskine asset, the operations are also carried out under the unit agreement (UUOA), which also includes the criteria set under the JOA. For further information concerning the issues and material provisions included in the Unit Agreements and JOAs, see Section 1.8.4(C)(7)a above.

It is noted that the Operating Agreement in the Alder field and the Unit Agreement in the Erskine field includes the right of transfer of a partner in the license, subject to the first refusal transfer rights of the other partners (other than when transferring to a related party of the transferring partner), which gives them priority to purchase the rights before they are offered to a third party.

Each of the JOAs and the Unit Agreement in the assets operated by Ithaca Group provide a different majority for decisions of the partners. Contrary to the Erskine and Alba assets, and considering the fact that IOGL holds rights of 73.7% in the Alder JOA, based on a mechanism in the JOA, the majority of decisions in the Alder asset will be made by IOGL.

(8) Reserves and Contingent Resources and Discounted Cash Flows in Ithaca Group Operated Assets

For further information concerning reserves and contingent resources in the Ithaca Group Operated Assets and discounted cash flows deriving from them as at December 31, 2021, see Section 5 of the NSAI Report. A letter of consent from NSAI to include the foregoing Resources Report in this Report, including by way of reference, is attached as Appendix B to this Report.

(F) The Non-Operated Assets

(1) General:

This cluster of assets includes ten producing oil assets, an oil asset where production has ended, and an exploration license, to which Ithaca is a partner but does not serve as an operator. For information concerning the rights of Ithaca and the operators in these assets, see the following table. Below is a breakdown regarding the reservoirs in these assets:

A. The Britannia oil asset consists of a reservoir that covers an area of 250 sq. km and contains natural gas and condensate. The oil asset includes 4 licenses that are held at various rates by Ithaca Group, as set out below. The partners in these licenses signed a Unit Agreement regulating the operations in the licenses. There are 35 producing wells in the Britannia reservoir.

As at date of approval of the Report, part of the gas produced from Britannia reservoir is sold under several long-term binding gas sales agreements, and the rest of the natural gas and the condensate are sold on the free market.

It is noted that the three reservoirs, Brodgar, Callanish, and Enochdhu that are noted below were developed as satellite reservoirs of the Britannia reservoir and were tied into its facilities so that the gas and condensate is processed on the Britannia platform that is wholly owned by the Britannia reservoir partners and the gas and condensate are transmitted separately to the St. Fergus terminal. The gas is transmitted via the Sage pipeline system and the condensate via the Forties Pipeline.

B. The Brodgar oil assets consist of a reservoir that covers an area of 65 sq. km and contain natural gas and condensate, and includes one license (P.118) as set out below. The partners in License P.118 have signed a unitisation agreement with the partners in License P.741 which overlaps into the area of Brodgar reservoir and is not owned by the partners in License P.118, in order to regulate the joint operations in the reservoir. The Brodgar reservoir (P.118) has 4 producing wells; the Leverett reservoir borders on the Brodgar reservoir and includes contingent resources. As of the report date, its development using Brodgar's current infrastructure is being considered.

C. The Callanish oil asset consists of a reservoir that covers an area of 19 sq. km and contains oil. The oil asset includes two licenses that are held at various rates by Ithaca Group, as set out below. The partners in these licenses signed a Unit Agreement regulating the operations in the licenses. There are 4 producing wells in the Callanish reservoir.

D. The Enochdhu oil asset consists of a reservoir that covers an area of 6.25 sq. km and contains oil, and includes one license as set out below. The reservoir has one producing well.

E. The Jade oil asset consists of a reservoir that covers an area of 7 sq. km and contains natural gas and condensate. The oil asset includes 2 licenses, P.1589 and P.672, that are equally held by the partners in the licenses, as set out below, and consequently, no unitisation agreement was signed regarding these licenses. The joint operating agreements for each separate license are all relevant for this field. There are 9 producing wells in the reservoir. In January 2022, after the completion of the exploration drilling in the area of the P.1589 license (hereinafter - the "Jade South Well"), Ithaca announced a natural gas discovery in the Jade South Well. For more information, see the Company's

immediate reports of August 11, 2021 and January 18, 2022 (Ref. Nos.: 2021-01-130329 and 2022-01-008119, respectively), included herein by way of reference.

The natural gas produced from the Jade reservoir is processed on a production and treatment platform (Judy) that is owned by Eni and Chrysoar, and from there is transmitted to the CATS pipeline. The processed condensate is transmitted to the Norpipe pipeline and terminal.

F. The Elgin-Franklin oil asset consists of the Elgin-Franklin reservoir that covers an area of 180 sq. km and contains natural gas and condensate. The oil asset includes 4 licenses that are held at various rates by Ithaca Group, as set out below. The partners in these licenses signed a Unit Agreement to regulate the joint operations and development in the licenses. The Elgin-Franklin reservoir has 14 producing wells.

The natural gas and condensate from the Elgin-Franklin reservoir is processed on the reservoir's production and treatment platform and from there the gas is transmitted via a dedicated pipeline system (Shearwater Elgin Area Line) to the onshore reception facility located at Bacton. The condensate is transmitted via the Forties Pipeline.

G. The Pierce oil asset consists of a reservoir that covers an area of 40 sq. km and contains natural gas and condensate. The oil asset includes one license as set out below. There are 8 producing wells in the reservoir.

The processed crude is transferred to shuttle tankers used for maritime shipping of the crude and from there directly to customers, and the gas produced from the reservoir is consumed for production.

H. The MonArb oil asset comprises nine fields producing oil and natural gas. The oil asset includes four licenses held at the same rate of 41.02% by the Ithaca Group as described below. A joint operating agreement (JOA) was signed by the partners to the licenses, regulating the activity in the license areas. There are 16 producing wells in the oil asset. The oil and natural gas are processed by the Montrose production facility, from which they are transmitted separately: the oil by way of the Forties Pipeline, and the gas through the CATS gas transmission system.

I. The Columba Terraces oil asset comprises a reservoir that covers an area of 20 sq. km and contains three oil fields producing [oil and natural gas]. The oil asset includes two licenses that are held at various rates by Ithaca Group, as set out below. The partners in the said licenses signed a joint operating agreement (JOA) regulating the activity in the license areas. The production is made through the Ninian production facility, from which the oil and natural gas are transmitted through the Ninian Pipeline to the reception terminal in the Shetland Islands.

J. The Pickerill, Renee and Rubie oil assets whose production has ended and for which decommissioning liabilities are outstanding. The oil assets include three licenses that are held at various rates by Ithaca Group, as set out below. The partners in the said licenses signed a joint operating agreement (JOA) regulating the activity in the license areas.

K. The Isabella oil asset consists of a reservoir that covers an area of 72 sq. km. In October 2019, exploration drilling was carried out in the oil asset area.[114] On March 16, 2020 Total E&P North Sea UK Ltd., the operator for the oil asset, announced that while drilling, signs of oil were discovered in the well target layers, however the high pressure and temperature conditions do not allow production appraisals to be performed using the existing equipment. According to the information given to Ithaca, the operator intends to conduct production appraisals in the oil asset at a later date.[115]

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[114] For further information concerning the exploratory drilling, see the immediate report issued by the Company on October 2, 2019 (Ref. No: 2019-01-084900).

[115] For further information see the immediate report issued by the Company on March 18, 2020 (Ref. No: 22020-01-026124).

(2) General details:

General details	
Name of oil asset:	Cluster of 12 assets: Britannia, Brodgar, Leverett, Callanish, Enochdhu, Jade, Elgin - Franklin, Pierce, MonArb, Columba Terraces, Renee Rubie, Pickerill Isabella
Location:	The oil assets are located in the North Sea on the UK Continental Shelf.
Type of oil asset and description of permitted operations according to the type:	Exploration, development and production licenses for oil and gas resources issued by the UK government
Original grant date of the oil asset:	**Britannia:** P.103 - Jun. 9, 1970 P.119 - Jun. 9, 1970 P.213 - Mar. 16, 1972 P.345 - Dec. 17, 1980 **Brodgar and Leverett:** P.118 - Jun. 9, 1970 Callanish: P.347 - Dec. 17, 1980 P.590 - Jun. 4, 1987 Enochdhu: P.103 - Jun. 9, 1970 **Jade**: P.1589 - Mar. 1, 2002 P.672 - Jul. 20, 1989 Elgin - Franklin: P.188 - Mar. 16, 1972 P.362 - Apr. 9, 1981 P.666 - Jul. 15, 1989 **Pierce**: P.111 - Jun. 9, 1970 **MonArb:** Montrose - September 17, 1964 Cayley – May 4, 1978 Godwin – Sep. 17, 1964 Carnoustie – May 4, 1978 Arbroath – Sep. 17, 1964 Wood - May 4, 1978 Shaw - May 4, 1978 Arkwright – May 4, 1978 Brechin – May 4, 1978 **Columba Terraces:** Columba B and E - Mar. 15, 1972 Columba D - Mar. 16, 1972 **Renee Rubie, Pickerill:** Renee - Jul. 10, 1972 Rubie - May 7, 1981

General details	
	Pickerill - Sep. 18, 1964 **Isabella:** P.1820 – Jan. 10, 2011
Original expiry date of the oil asset:	**Britannia:** P.103 - Jun. 8, 1976 P.119 - Jun. 8, 1976 P.213 - Mar. 15, 1978 P.345 - Dec. 16, 1986 **Brodgar and Leverett:** P.118 - Jun. 8, 1976 **Callanish:** P.347 - Dec. 16, 1986 P.590 - Jun. 3, 1993 **Enochdhu:** P.103 - Jun. 8, 1976 **Elgin - Franklin:** P.188 - Mar. 15, 1978 P.362 - Dec. 16, 1986 P.666 - Jul. 19, 1995 **Jade:** P.1589 - Nov. 11, 2014 P.672 - Jul. 19, 1995 **Pierce:** P.111 - Jun. 8, 1976 **MonArb:** Montrose – P.019 Block 22/17, Sept. 17, 1970 Cayley – – P.019 Block 22/17, Sept. 17, 1970 Godwin – – P.019 Block 22/17, Sept. 17, 1970 Carnoustie – – P.019 Block 22/17, Sept. 17, 1970 Arbroath – P.020 Block 22/18, Sept. 17, 1970 Wood – P.020 Block 22/18, Sept. 17, 1970 Shaw – P.291, Block 22/22a, May, 04 1978 Arkwright – P.291, Block 22/23a, May, 04 1978 Brechin – P.291, Block 22/23a, May, 04 1978 **Columba Terraces:** Columba B and E – P.199, Block 3/8A (COLB) Mar.15, 1978, P.203, Block 3.7a (AREA B), P.203, Block 3.7a (A-NTH) Mar, 15m 1978 Columba D – P.199, Block 3/8A (COLD) Mar.15, 1978 **Renee Rubie, Pickerill:** Renee – P.226, Block 15/27a Area A Renee Field Rubie - P.339, Block 15/28b, Area A, Rubie Field Pickerill – P.037 Blocks 48/11a Pickerill Area, 48/11a Rest of the block (REST) Isabella: P.1820 – Jan. 10, 2020
Dates of decisions regarding extension of the term of the oil asset:	**Britannia:** P.103 – Jun. 6, 2016 P.119 – Jun. 6, 2016 P.213 - Mar. 12, 2016 P.345 - Nov. 14, 2016 **Brodgar and Leverett:** P.118 – Jun. 6, 2016 **Callanish:** P.347 - Nov. 14, 2016 P.590 - June 1993

General details	
	Enochdhu: P.103 – Jun. 6, 2016 **Jade:** P.1589 - Feb. 2017 P. 672 - Jul. 2007 **Elgin - Franklin:** P.188 - Mar. 12, 2018 P.362 - Oct. 24, 2016 **Pierce:** P.111 – Jun. 8, 2016 MonArb, Columba Terraces, Renee, Rubie, Pickerill – Unknown
Current expiry date of the oil asset:	**Britannia** A producing oil asset and no expiry date was set. The licenses may expire should production be discontinued for 12 consecutive months. Brodgar and Leverett (P.118): A producing oil asset and no expiry date was set. The license may expire if production is discontinued for 12 consecutive months. **Callanish:** P.347 - a producing oil asset and no expiry date was set. The license may expire if production is discontinued for 12 consecutive months. P.590 - Jun. 2, 2023 Enochdhu (P.103): A producing oil asset and no expiry date was set. The license may expire if production is discontinued for 24 consecutive months. **Jade:** P.1589 - Feb. 11, 2035 P.672 - Jul. 17, 2025 **Elgin - Franklin:** P.362 & P.188 - a producing oil asset and no expiry date was set. The licenses may expire should production be discontinued for 12 consecutive months. P.666 - Jul. 19, 2025 **Pierce:** P.111 - a producing oil asset and no expiry date was set. The license may expire if production is discontinued for 12 consecutive months. **MonArb:** Producing oil assets with no expiry date. The licenses may expire should production be discontinued for 24 consecutive months. **Columba Terraces:** Producing oil assets with no expiry date. The licenses may expire should production be discontinued for 12 consecutive months. **Renee Rubie, Pickerill:** Oil assets in which production work has ended and decommissioning liabilities are outstanding. **Isabella:** P.1820 - Jul. 18, 2022
Note whether there are additional options for extending the term of the oil asset; if such option exists - the term of the possible extension should be noted:	-

General details	
Note name of the operator:	Chrysaor and its affiliates serve as Operator in the following assets: Chrysaor (UK) Britannia Limited is the Operator in the Britannia asset; Chrysaor Production (UK) Limited is the Operator in the Brodgar and Leverett assets; Chrysaor Production (UK) Limited is the Operator in the Callanish asset; Chrysaor Production (UK) Limited is the Operator in the Enochdhu asset; Chrysaor Petroleum (UK) Limited is the Operator in the Jade asset; Total is the Operator in the Elgin-Franklin and Isabella assets; Enterprise is the Operator in the Pierce asset; Repsol Sinopec Resources UK Limited is the operator of the MonArb assets; CNR International (U.K.) Limited is asset operator for Columba Terraces Repsol Sinopec Resources UK Limited is the operator of the Renee and Rubie assets; Perenco Gas (UK) Limited is the operator of the Pickerill asset
Names of the direct partners in the oil asset and their direct share in the oil asset and, to the best of the Company's knowledge, the names of the controlling shareholders in the partners:	**Britannia:** Chrysaor - 58.65% Ithaca Group - 32.38% Mitsui E&P UK - 8.97% **Brodgar:** Prior to production of 10 MMboe from supplementary well H4: Chrysaor - 93.75% Ithaca Group - 6.25% Since beginning of production from supplementary well H4 and until production of 10 MMboe from supplementary well H4:[116] Chrysaor - 87.5% Ithaca Group - 12.5% Subsequent to production of 10 MMboe from supplementary well H4: Chrysaor - 75.93% Ithaca Group - 6.25% Callanish: Chrysaor - 83.5% Ithaca Group - 16.5% **Leverett**: Ithaca Group – 25% Chrysaor Production (U.K.) Limited – 75% **Enochdhu:** Chrysaor - 50% Ithaca Group - 50% **Jade:** Harbour Energy plc[117]- 67.5% – through the subsidiaries:

[116] It should be noted that the change in the rate of rights is also contingent on the fact that the Ithaca Group will give full authorization for expenditure (AFE) with respect to the supplementary well. As at Reporting Date, production has not yet commenced from supplementary well (H4).

[117] To the best of the Company's knowledge - a publicly-traded company listed on the London Stock Exchange as a result of the completion of a merger between Chrysaor Holdings Limited and Premier Oil.

General details	
	• Chrysaor Petroleum Company U.K. Limited – 32.5% • Chrysaor Limited – 35% Ithaca Group - 19.93% Eni S.p.A ("ENI")[118] - 7% Siccar Point Energy E&P Limited [119] - 5.57% Elgin - Franklin: Total[120] - 46.173% Eni Elgin/Franklin Limited[121] - 21.867% Premier Oil UK Limited[122] - 19.31% Neo Energy Natural Resources Limited[123] - 4.375% Ithaca Group - 3.9% One-Dyas E&P Limited[124] - 2.1875% Summit Exploration and Production Limited[125] 2.1875% **Pierce** Enterprise[126] 92.52% Ithaca Group - 7.48% **MonArb:** Repsol Sinopec Resources UK Limited[127] - 58.97436% Ithaca Group - 41.02564% **Columba Terraces:** Columba B and D: CNR International (U.K.) Limited[128] - 94.4% Ithaca Group - 5.6% Columba E: CNR International (U.K.) Limited – 91.6% Ithaca Group - 8.4% **Renee Rubie, Pickerill:** Renee: Repsol Sinopec Resources UK Limited – 91.5% Ithaca Group - 8.5% **Rubie**: Repsol Sinopec Resources UK Limited – 60% Ithaca Group - 40% **Pickerill:**

118 To the best of the Company's knowledge, ENI is a public company listed on the New York Stock Exchange and the Italian Stock Exchange. The Italian government is the primary controlling shareholder through the government company National Promotional Institution.

119 To the best of the Company's knowledge, a wholly-owned private company (100%) of Siccar Point Energy Limited.

120 To the best of the Company's knowledge, wholly-owned private company (100%) (indirect) of Total S.A., a public company listed on the NASDAQ and on the European Euronext Stock Exchange, without a controlling core.

121 To the best of the Company's knowledge, a wholly-owned private company (100%) (indirect) of ENI, a public company listed on the New York Stock Exchange and on the Italian Stock Exchange. The Italian government is the primary controlling shareholder through the government company National Promotional Institution.

122 To the best of the Company's knowledge, a wholly-owned private company (100%) of Harbour Energy Plc, a public company listed on the London Stock Exchange as a result of the completion of a merger between Chrysaor Holdings Limited and Premier Oil.

123 To the best of the Company's knowledge, a wholly-owned private company (100%) of Hite vision, which is privately held.

124 To the best of the Company's knowledge, a wholly-owned private company (100%) of SHV Holdings N.V.

125 To the best of the Company's knowledge, a wholly-owned privately held company (100%) of Sumitomo Corporation, a public company traded on the Tokyo Stock Exchange, without a controlling core.

126 To the best of the Company's knowledge, a privately company controlled by the global Shell Group.

127 To the best of the Company's knowledge, a privately-held company jointly owned (indirectly) by Repsol SA (51%) and Addax Petroleum UK Limited.

128 To the best of the Company's knowledge, a wholly-owned private limited company (100%) of Canadian Natural Resources Limited.

General details	
	Perenco Gas (UK) Limited[129] - 94.782609% Ithaca Group - 5.217391% **Isabella:** Ithaca Group -10% Neptune E&P UK Limited130 - 50% Total[131] - 30% EurOil Exploration Ltd.[132]10%

General information about the Company's share in the oil assets	
Acquisition date:	The interests in the Pierce asset were acquired by Ithaca Group in 2014. The interests in the Isabella asset were acquired by Ithaca Group in 2013. The rights in the MonArb, Columba Terraces, Pickerill, Renee and Rubie assets were purchased by Ithaca in the Marubeni transaction that was completed in February 2022. The acquired rights are valid from January 1, 2021. The rest of these assets were acquired under the Chevron Transaction that was signed on May 29, 2019, and which is effective as of January 1, 2019.
Description of the Company's holding in the oil asset:	Through the Company's holdings (indirect) in Ithaca shares.
Effective share of oil asset revenues attributable to equity holders of the Company:	Britannia - 32.3% Brodgar - Prior to production of 10 MMboe from supplementary well H4, as aforesaid: 6.25% Since beginning of production from supplementary well H4 and until production of 10 MMboe, as aforesaid: 12.5% Subsequent to production of 10 MMboe from supplementary well H4, as aforesaid: 6.25% **1.** Leverett -25% Callanish - 16.5% Enochdhu - 50% Jade - 19.93% Elgin - Franklin - 3.9% Pierce - 7.48% Don Southwest and Conrie - 40% MonArb - 41.02564% Columba Terraces B and D – 5.6% Columba Terraces E – 8.4% Renee – 8.5% Rubie – 40% Pickerill - 5.217391% Isabella – 10%

129 To the best of the Company's knowledge, a wholly-owned private limited company (100%) of Perenco.

130 To the best of the Company's knowledge, a private company that is part of the Neptune group, whose key shareholders are China Investment Corporation, Carlyle Group and CVC Capital Partners;

131 To the best of the Company's knowledge, wholly-owned private company (100%) (indirect) of Total S.A., a public company listed on the NASDAQ and on the European Euronext Stock Exchange, without a controlling core.

132 To the best of the Company's knowledge, a private company belonging to the Edison Group, controlled by Electricité de France Group (hereinafter - "EDF Group").

General information about the Company's share in the oil assets	
Total share of equity holders of the Company in the cumulative investment in the oil asset in the five years preceding the last day of 2021 (whether recognized as an expense or as an asset in the financial statements):	Jade - USD 27 million Elgin-Franklin - USD 29 million Pierce - USD 33 million Don Southwest, Ythan, Conrie and West Don - USD 16 million MonArb - USD 56 million Columba Terraces B and D - USD 3 million Columba Terraces E - USD 2 million

(3) Pre-holding operations and additional information with regard to the Non-Operated Assets

A. The Britannia Reservoir was discovered in 1975 by a third party. Development of the reservoir began in 1994, and production from the reservoir began in 1998. IOGL acquired its interests in Licenses P.213, P.119, P.103 and P.345 in 1984.

In 1997 a production and treatment platform was established, which is wholly owned by all the partners in the reservoir.

B. The Brodgar Reservoir was discovered in 1985. Development of the reservoir began in 2004, and production from the reservoir began in 2008. IOGL acquired its interests in License P.118 in 1984.

In 2006, a production and treatment platform, owned by the partners in the asset, was set up in the reservoir, which is tied into the Britannia reservoir via a bridge.

C. Callanish Reservoir was discovered in 1999. Development of the reservoir began in 2004, and production from the reservoir began in 2008. IOGL acquired its interests in Licenses P.347 and P.590 in 1984.

In 2006, a production and treatment platform, owned by the partners in the asset, was set up in the reservoir, which is tied into the Britannia reservoir via a bridge.

D. Enochdhu Reservoir was discovered in 2005. Development of the reservoir began in 2013, and production from the reservoir began in 2015. IOGL acquired its interests in License P.103 in 1984.

In 2006, a production and treatment platform, owned by the partners in the asset, was set up in the reservoir, which is tied into the Britannia reservoir via a bridge.

E. Jade Reservoir was discovered in 1996. In 2000 IOGL acquired the rights in the asset and began development of the reservoir, and in 2001, a production and treatment platform owned by the partners in the asset was set up. In 2002 production from the reservoir began.

F. Elgin-Franklin Reservoir consists of two reservoirs that were united under a JOA dated February 1997. The Franklin reservoir and the Elgin reservoir were discovered by Eni Elgin/Franklin Limited in 1986 and 1991, respectively. Development of the reservoir began in 1999, and production from the reservoir began in 2001. In 2000, IOGL acquired the rights in the Elgin-Franklin Reservoir.

This reservoir has 5 production and treatment platforms, 3 of which are tied into one another via a bridge that was constructed in 1999-2000, and two are unmanned platforms that were installed in 2007 and 2014. All the platforms are owned by the partners in the asset.

G. Pierce Reservoir was discovered in 1975 by a third party, and production from the reservoir began in 1999. In 2014 Ithaca acquired participation rights of 7.5% in the asset. Production in the field is carried out by using a leased floating facility for production, storage and transport.

H. MonArb assets - the Arbroathvrtaui reservoir was discovered in 1969 and the Montrose reservoir was discovered in 1971 by third parties. Initial production from the reservoirs began in 1971. In 2017, production began from the Cayley and Shaw fields.

I. Columba Terraces assets - The Columba E reservoir was discovered in 1975, Columba B in 1976 and Columba D in 1980. In 1994, production commenced in these assets.

(4) Compliance with work schedules:

To the best of the Company's knowledge, at Reporting Date, the binding work schedules for the foregoing assets have been fully implemented.

(5) Actual and planned work schedule:

Below is a summary description of the main actions actually carried out in non-operated assets as from January 1, 2019, as well as planned actions:

Period	Summary of operations implemented in the period and the planned work schedule	Estimated total budget for operations according to oil asset (in USD millions)	Actual participation of the Company's equity holders in the budget (in USD millions)
2019	• Brodgar reservoir: Drilling of supplementary well • Britannia Reservoir: Work was carried out on the Britannia Platform for improving compression. • Elgin-Franklin reservoir: Further drilling of the supplementary well **MonArb assets:** • Montrose Field - ongoing maintenance of the production facility • Arbroath Field - ongoing maintenance of the production facility • Shaw Field - ongoing maintenance of the production facility.	390 13.5 3.5 0.2	41
2020	• Callanish Reservoir: Drilling of well • Elgin-Franklin Reservoir: Drilling of well • Pierce: Drilling of two supplementary wells and continuing the project for lowering pressure in the reservoir **MonArb assets:** • Montrose Field - ongoing maintenance of the production facility. • Arbroath Field - ongoing maintenance of the production facility.	380 5.9 4.0	122
2021	• Pierce reservoir: Continuing the project for lowering the pressure in the reservoir • Jade Reservoir: exploration drilling in the area of the P.1589 license **MonArb assets:** • Elgin Franklin Reservoir – drilling and infrastructure maintenance • Montrose Field - ongoing maintenance of the production facility. • Arbroath Field - ongoing maintenance of the production facility. • Wood Field - ongoing maintenance of the production facility	118 80 211 8.2 10.0 1.0	9 16 8 3.4 4.1 0.4
2022	• Jade Reservoir: Drilling of supplementary well • Elgin Franklin Reservoir – drilling and infrastructure maintenance **MonArb assets:** • Montrose Field - ongoing maintenance of the production facility. • Arbroath Field - ongoing maintenance of the production facility. • Shaw Field - ongoing maintenance of the production facility.	100 128 28 3 11 3	20 5 11 1 4 1

Period	Summary of operations implemented in the period and the planned work schedule	Estimated total budget for operations according to oil asset (in USD millions)	Actual participation of the Company's equity holders in the budget (in USD millions)
2023	**MonArb assets:** • Montrose Field - addition subsea producing wells. • Arbroath Field - maintenance work in 3 producing wells. • Shaw Field - drilling of producing well no. 3.	67 13 66	27 5 27
2024 onwards:	**MonArb assets:** • Montrose Field - addition subsea producing wells. • Maintenance work across producing wells.	304	125

(6) Actual participation in the expenses and income of the other Non-Operated Assets:

The actual rate of rights and participation attributed to the equity holders of the Company are equivalent to Ithaca's rights in all the Non-Operated Assets, as specified in the foregoing tables in subsection (2) above (under General Details), as no royalties are paid with regard to these assets to the UK government or third parties, and no other derivative royalties whatsoever are paid from the income and expenses.

(7) Description of material agreements between the partners in the oil assets:

The exploration, development and production operations in the other Non-Operated Assets described above are carried out under a JOA that was signed by the partners for each asset, and in the Britannia, Callanish, and Eglin-Franklin fields operations are carried out under a unit agreement (UUOA or UJDOA, which are essentially similar). It is noted that the unit agreement also includes the criteria set under the JOA.

For further information concerning the issues and material provisions included in the unit agreements and JOAs, see Section 1.8.4(c)(7) above.

In the majority of the JOAs applicable for the assets in this cluster, the right of a partner in the asset to transfer its rights to a third party will be subject to the first refusal rights of the other partners in the asset.

Each of the JOAs and unit agreements in the other Non-Operated Assets provide a different majority for decisions by the partners. In view of the rate of IOGL's rights in the Non-Operated Assets, based on mechanisms in the JOA's and unit agreements, the decisions in these assets will not be made by IOGL alone.

(8) Contingent reserves and resources in the Non-Operated Assets

For further information concerning reserves and contingent resources in the Other Non-Operated Assets and discounted cash flows deriving from them as at December 31, 2021, see Section 6 of the NSAI Report. As at the date of approval of the Report, there has been no change to this information. A letter of consent from NSAI to include the foregoing Resources Report in this Report, including by way of reference, is attached as Appendix B to this Report.

1.8.4. Oil Assets in the US Gulf of Mexico

(A) General

(1) In January 2018, Delek GOM (hereinafter in this section - the "Acquirer") a wholly owned foreign subsidiary of the Company, engaged in an agreement to acquire oil and gas interests with GulfSlope Energy Inc. and Texas South Energy Inc. (hereinafter, in this section - the "Transferors"), public companies whose shares are listed for trading in the USA (OTC).

The agreement included, inter alia, acquisition of 75% rights in two oil and gas assets located in the Gulf of Mexico area in the United States: Canoe and Tau. Under the foregoing agreement, the Acquirer was granted an option to acquire interests in additional prospects, subject to certain conditions as set out in the agreement (hereinafter in this section - the "Acquisition Agreement"). For a description of the highlights of the acquisition agreement, see Section 1.8.6(C)(10) of the

Company's periodic report for 2018, as published on March 31, 2019 (Ref. No. 2019-01-029344), which includes information presented here by way of reference.

(2) The exploratory drilling in the Canoe oil asset was completed in August 2018, and once the operator in the oil asset - GulfSlope Energy Inc. - (hereinafter - the "Operator") did not report a discovery, the Company amortized the total costs of its investment in this asset in its financial statements for the third quarter of 2018. As at Reporting Date, the lease agreement for the Canoe oil asset has expired and the Bureau of Safety and Environmental Enforcement (hereinafter - "BSSE") has confirmed that the Canoe oil property has been decommissioned in accordance with the terms of the lease.

An appraisal well was drilled in the TAU oil asset, which began in September 2018 and discontinued in May 2019. According to information the Company received from the Operator, the well encountered problems that caused delays in the time schedules and required significant additional budget. According to the Operator's report at the end of the drilling, the drilling did not penetrate recoverable hydrocarbon bearing layers, but signs of hydrocarbons were found. The Operator did not announce a discovery. At the recommendation of the Operator the wellhead was sealed and decommissioned in a way that will allow reentry to the well at a later stage. For further information, see the immediate report issued by the Company on May 13, 2019 (Ref. No. 2019-01-045886). On June 4, 2019, the Operator completed decommissioning of the well. The Operator intends exploring various possibilities relating to further operations in the future in the area of the well and in testing the deeper layers of the prospect, that have not yet been drilled.

The cost of the well (100%) until it was sealed and decommissioned and abandoned as aforesaid amounted to a total of USD 95 million (100%) (the Company's share is USD 72 million). In November 2019, the insurers approved partial insurance coverage for the event underlying suspension of the drilling at a depth of 15,245 feet (as set out above). In view of the uncertainty created and the ambiguity surrounding the plan for further drilling, which as at the date of approval of the Report, have even increased, the Company's management decided, to include a provision for impairment in the 2019 financial statements with regard to the investment in the Tau asset, in the amount of USD 53 million (NIS 182 million). During 2020, an insurance payout was received of USD 18 million (NIS 65 million).

The Company regards the License to be a negligible oil asset in relation to its operations in the energy sector, and accordingly, below is a brief description of the oil asset.

(B) Information regarding the Tau oil asset

(1) General details

General information about the oil asset	
Name of oil asset:	Tau
Location:	The Tau Prospect is located within the area of two US federal concessions. The asset is located in the Gulf of Mexico, offshore Louisiana, about 218 km southwest of New Orleans, USA.
Area:	The area of each Concession is 5,000 acres (20.23 sq. km).
Type of oil asset and description of permitted operations according to the type:	Federal Lease; Permitted operations - exploration, development and production of oil and gas in a defined area called a lease in accordance with US government regulation.
Original grant date of the oil asset:	OCS-G 35244 (Block Ship Shoal 336) - Jul. 1, 2014 OCS-G 36121 (Block Ship Shoal 351) - Nov. 1, 2017
Original expiry date of the oil asset:	OCS-G 35244 - Jun. 30, 2019 OCS-G 36121 - Oct. 31, 2022
Dates of decisions regarding extension of the term of the oil asset:	OCS-G 35244 (Block Ship Shoal 336) – Jul. 15, 2019 OCS-G 36121 (Block Ship Shoal 351) – Dec. 16, 2019

General information about the oil asset	
Current expiry date of the oil asset:	OCS-G 35244 (Block Ship Shoal 336) – Jun. 30, 2022 OCS-G 36121 (Block Ship Shoal 351) – Oct. 31, 2025
Note whether there is an additional option of extending the period of the oil asset: if there is such an option, note the period of the possible extension:	Subject to the approval of a BOEM inspector (in the OCS-G 36121 concession) and subject to the approval of a BSEE inspector (Bureau of Safety and Environmental Enforcement) (in the OCS-G 35244 concession), the licenses can be extended to eight years from the date of the original grant, subject to the drilling of a well deeper than 25,000 feet TVD (true vertical depth) from the surface, in the first five years. It is noted that from the time of discovery, the concession will remain valid as long as oil or gas is produced in commercial quantities, subject to the approval and requirements of the BOEM and relevant regulations.
Note name of the operator:	GulfSlope
Names of the direct partners in the oil asset and their direct share in the oil asset and, to the best of the Company's knowledge, the names of the controlling shareholders in the partners:	Delek GOM Investments, LLC – 75% GulfSlope[133] - 20% Texas South Energy Inc.[134] - 5%

General information about the Company's share in the oil asset	
Acquisition date of the lease for the acquired oil asset:	January 8, 2018, pursuant to the terms and conditions of the Acquisition Agreement.
Description of the Company's holding in the oil asset:	Holding through a wholly owned foreign subsidiary.
Effective share of oil asset revenues attributable to equity holders of the Company:	63.3% (see calculation below).
Total share of the Company's equity holders in the cumulative investment in the oil asset in the five years preceding the last day of the reporting year (whether recognized as an expense or as an asset in the financial statements):	USD 35 million.

133 A US public energy company whose main shareholder is Mr. John N.Seitz. As set out below, as at Reporting Date, GOM holds 22% of the share capital of GulfSlope.

134 A US publicly-traded energy company without a controlling shareholder.

(2) Work schedule for the Tau oil asset

Breakdown of the carried out and planned operations in the drilling of the oil asset:

Period	Summary of actual operations in the period or of the planned work plan	Estimated total budget for operations on the level of the oil asset (in USD thousands)	Actual participation of the Company's equity holders in the budget (in USD thousands)
2019	• Exploration drilling, including the release of the drilling rig and decommissioning and decommissioning of the well and related expenses.	33,000	25,000
2020	• Further seismic assessments by the Operator	-	-
2021	• Further seismic assessments by the Operator	-	-
2022 onwards	• Continued seismic work by the Operator		

Forward-looking information: The Company's estimate regarding the planned operations in the Lease, including the costs, schedules, and actual performance, is forward-looking information as defined in the Securities Law, based on assessments regarding the components of the work plan and their costs, which may change from time to time. Implementation of the actual work plan, including schedules and costs, may differ materially from the above estimate and is subject, among other things, to market conditions, regulation, many external circumstances, including technical requirements and capacity, and economic viability.

1.8.5. Exploration license in Block 7, in Canada

At the end of 2016 the bid filed by the Company jointly with Navitas Petroleum Limited (hereinafter - "Navitas") under a tender for offshore exploration licenses in the area east of Newfoundland in Canada, for an exploration license in the Block 7 area, was accepted (hereinafter in this section - the "License").[135] The Company's share in the License is 70% and Navitas' share is 30%. The Company regards the License to be a negligible oil asset in relation to its operations in the energy sector, and accordingly, below is a brief description of the oil asset.

(A) General details

General information concerning the oil assets	
Name of oil asset:	EL1147
Location:	An offshore asset located 350 km east of Newfoundland eastern Canada, at marine depth of 1,500 meters (estimated drilling depth of 4,750 m)
Area:	2,000 sq. km
Type of oil asset and description of permitted operations according to the type:	Exploration license allowing its holders to conduct oil and gas exploration, including seismic surveys and exploration drillings.
Original grant date of the oil asset:	Jan. 15, 2017 (Tender date - Nov. 9, 2016)
Original expiry date of the oil asset:	6 years from grant date
Decision date for extension of the term of the oil asset	-
Current expiry date of the oil asset:	Jan. 14, 2023

135 A subsidiary owned by Navitas Petroleum Limited Partnership that is traded in Israel.

General information concerning the oil assets	
Possibilities for extending the term of the oil asset:	The license was granted for a term of 6 years from the date on which granted. The license may be extended by three years, subject to additional guarantee payments that will be released against drilling in the license. At the end of the period, the license will expire and the license areas will be returned, with the exception of areas in which a discovery is declared, (if any is proclaimed), and a material discovery or development license will be received for it.
Note name of the operator:	Navitas Petroleum Canada Inc. (a company controlled by Navitas)
Names of the direct partners in the oil asset and their direct share in the oil asset	1099494 B.C Ltd.[136] – 70% Navitas Canada - 30%

(B) Actual and planned work schedule

The table below includes a summary of the main operations actually performed in the License area up until Reporting Date and a breakdown of the planned operations in the License:[137]

Period	Summary of actual operations in the period or of the planned work plan	Estimated total budget for operations on the level of the oil asset (in USD thousands)	Actual participation of the Partnership's equity holders in the budget (in USD thousands)
2019	Further processing and decoding of the data obtained from the seismic survey purchased in 2018	67	47
2020	Review of options for purchasing another seismic survey	43	30
2021	Review of options for purchasing another seismic survey	183	128
2022 onwards	3D seismic survey	20,000	14,000

Forward-looking information: The Company's estimate regarding the planned operations in the license, including the costs, schedules, and actual performance, is forward-looking information as defined in the Securities Law, based on the Operator's assessments regarding the components of the work plan and their costs, which may change from time to time. Actual execution of the work schedule, including timetables and costs, may differ materially from the foregoing and is subject, among other things, to market conditions, applicable regulation, numerous external circumstances, technical requirements, technical capacities, and economic viability.

1.8.6. Products and services

(A) As at Reporting Date, the Company's revenues in the Foreign Energy Segment are mainly from its subsidiary Ithaca, whose revenues are from the sale of oil, natural gas, condensate and other supplementary petroleum products.

(B) The key nature of the Company's products are: (1) oil is a liquid material consisting essentially of a hydrocarbon compound and its density ranges from 9 degrees to 55 degrees API, indicating the relative density of liquid oil compared to water, and the color of the oil ranges from yellow to black; (2) natural gas is a compound containing mainly methane, and the difference between wet gas and dry gas is that dry gas does not contain liquid hydrocarbons, and methane accounts for almost all of

136 A wholly owned subsidiary of the Company, incorporated in Canada, which was established for the purpose of holding the rights in the License.

137 Excluding annual lease payments.

its composition; (3) condensate is a natural product of the condensation process of various components in natural gas and is caused due to the pressure and temperature differences in the reservoir and those on the surface.

The distinction between heavy oil and medium and light oil is due to the density of crude oil and the typical amount of distillates that determine its classification as light or heavy. Heavy oil has heavier components, a higher density and higher boiling points than light oil, and heavy crude oil is usually needs a thinner added to the pipeline sections to facilitate its flow. Heavy crude oil products include asphalt, lubricants, waxes and fuel oil. Light crude oil produces large quantities of light fuels (distillates) and small amounts of residual. As noted above, Ithaca's oil and natural gas assets generate heavy oil from Captain and Alba fields as well as light and medium oil from the rest of the on producing assets.

(C) For further information concerning the operating segment, including trends and changes occurring in it, see Section 0 above.

1.8.7. Customers

(A) As at date of approval of the Report, Ithaca Group provides oil and natural gas to several large international marketing companies that operate, among others, on the UK Continental Shelf in the North Sea region, and which sell the products to the end consumers. The price of oil varies between the fields and is based on several components, including the density and consistency of the oil produced from each field, and payment is made on the basis of an estimated monthly production volume that Ithaca sends to the companies each month. The agreements for selling natural gas set a price calculation that is based on standard UK market prices, as published from time to time, with a discount on entry fees and additional discounts in some cases.

(B) Most of Ithaca's revenues from the sale of oil and natural gas in 2019-2021 were from two key sales agreements: (1) an agreement for the sale of produced hydrocarbons (the agreement covers the oil supply to the onshore reception terminals (Terminal Grades) in the UK as well as the oil supplied via marine oil tankers (Niche Grades), from the Cook (Anasuria) and Pierce and Cook Fields) to Shell International Trading and Shipping Company Limited (hereinafter - “Shell”) which in 2019, 2020 and 2021 constituted, 42%, 10% and 6% of the total revenues in those years, respectively; and (2) an agreement for the sale of produced hydrocarbons (natural gas) that are supplied to UK NTS for BP Gas Marketing Limited (hereinafter - “BPGM”), which in 2019, 2020 and 2021 constituted 43%, 17% and 80% of the total revenues in these years, respectively.

(C) Under the Chevron Transaction, additional agreements were signed with BP International and BPGM for the sale, purchase and/or marketing of natural gas and crude oil from the Acquired Assets. These agreements were signed for a term of 5 years from date of signature and also cover aspects related to the supply of oil recovered from Ithaca's producing assets via the Forties Pipeline network and the Forties reception terminal. Furthermore, the agreements cover aspects related to the supply of oil recovered from the Alba and Captain Fields via marine tankers, as well as for the supply of the bulk of the natural gas produced and processed, via onshore natural gas reception terminals in the UK. Furthermore, after the Vorlich Field was set up in November 2020, new sales agreements were signed for the sale of oil with ENI and for the sale of natural gas with Gazprom.

Changes in the agreements with BPGM, or the inability to comply with their commitments towards Ithaca Group could have a material effect on the cash flows of Ithaca Group and of the Company.

<u>Effect of the Covid-19 Crisis</u>

As set out in Section above, the cancellation of OPEC+ agreements and the economic impacts involved in the spread of Covid-19 has led to further stockpiling of oil inventories and increasing use of floating storage facilities. This trend has raised concerns with regard to storage capacities that are expected to cause substantial stress on market prices and price curve volatility. The issue of storage relates mainly to petroleum products and does not directly affect the supply agreements for natural gas produced from Ithaca’s reservoirs.

The sales agreements between Ithaca and its customers do not include commitments to purchase or supply minimum or maximum volumes of the energy products produced from its reservoirs, therefore Ithaca has the discretion to decide the monthly volume it wishes to supply. Furthermore, and as aforesaid, Ithaca’s agreements with its customers are based on payment for the estimated volume Ithaca will supply each month and are not based on its customers’ utilization of the actual production output.

Ithaca’s key customers, BPGM and Shell, are two of the largest energy companies in the UK market and as at date of approval of the Report, Ithaca’s contractual relationship with them is stable and to

the best of Ithaca's assessment it has the capacity to continue receiving the volumes of oil and gas produced from its oil assets.

For further information in this regard see Section 1.8.23(C)1.8.26(C)

1.8.8. Marketing and distribution

The oil and natural gas produced from the Ithaca Group's on producing assets are supplied via a subsea pipeline to onshore reception terminals in the UK, and by supplying directly to the end consumers via shuttle tankers and to floating facilities, and all as described with regard to Ithaca Group assets in Section 1.8.3 above.

The subsea pipeline and the shuttle tankers through which Ithaca Group supplies its products, as aforesaid, are owned and operated by third parties. Restrictions on the use of these transmission infrastructures, if any, could have an adverse effect of the production rate of oil and natural gas from the Ithaca Group assets.

Effect of the Covid-19 Crisis

As set out in Section **Error! Reference source not found.** above, Ithaca has agreements with international marketing companies and not with end customers that consume the hydrocarbon products produced from Ithaca's reservoirs. These agreements are based on payment for the estimated monthly production volumes that Ithaca intends to provide to the companies and payment does not require actual consumption of committed volumes. As a result, Ithaca does not see the global decline in demand for energy products - which occurred in 2020 and is attributable to the Covid-19 crisis - as a material risk to its marketing and distribution networks, that are based on the agreements described in Section 1.8.7above.

1.8.9. Order backlog

As noted in **Error! Reference source not found.** above. In addition, climatic conditions also affect demand for natural gas, therefore in the first and fourth quarters of each year, demand rises and as a result, the price of natural gas also rises. It should be noted that the climatic conditions in the UK and in the US, particularly during the winter months, may restrict or stop drilling and production operations for certain periods in the oil and natural gas assets. Furthermore, climate conditions are liable to affect demand for equipment, supply and human resources, thereby generating additional costs and delaying operations.

1.8.10. Production capacity

Based on the work plans that Ithaca drafted at the beginning of 2021, and due to the outbreak of Covid-19 and the ensuing economic crisis, it estimated that the average production rate from the producing oil and gas assets in which Ithaca Group has interests would amount to 60,000 to 65,000 BOE per day (percentage of liquids - 66%). Ithaca estimates that the maximum rate of production in these assets is 80,000 barrels per day.

Based on the work plans that Ithaca drafted at the beginning of 2022, it estimates that the average production rate from the on-production oil and gas assets in which Ithaca Group has interests would amount to 65,000 - 75,000 BOE per day.

1.8.11. Property, plant and equipment

Part of Ithaca Group's assets are grouped into production hubs; the inherent advantage of production hubs is the use of one central infrastructure into which a number of fields close to the hub are tied, thereby minimizing development and production costs. Ithaca Group owned production hubs include the Floating Production Facility FPF-1 that serves the Greater Stella Area, the Captain reservoir facilities that include two permanent rigs and a FPSO facility, the Brittania Field infrastructures that serve the Alder, Brodgar, Callanish and Enochdhu fields; for further details regarding the facilities, see Section1.8.3(F) 1.8.4(F) above. With regard to the other fields owned by Ithaca Group, they either operate independently with designated infrastructures or are tied-in to other hubs, and all as set out in Section 1.8.3(E)1.8.4(E) above.

1.8.12. Human resources

(A) As at December 31, 2021, Ithaca and the Group companies employed 469 full time employees (compared to 435 full-time employees as of December 31, 2020). Furthermore, Ithaca and the Group companies receive a range of services from independent subcontractors who provide professional and consultation services on a one-time or ongoing basis.

(B) As at Reporting Date, the Company does not employ a workforce for its operations in its US Gulf of Mexico and Canadian oil assets, and at this stage makes use of various independent consultants, including professional geologists and experts, lawyers, and financial advisors, if such advisors are needed.

1.8.13. Raw materials and suppliers

For each project or field in which the Company has rights in oil and gas assets, directly or indirectly, an operator is appointed for the project. The operator contracts with professional contractors, which have the relevant equipment, for each field or project, accordingly. Any increase or decrease in crude oil prices usually affects the availability of contractors and required equipment, as well as their costs. It should be noted that Ithaca serves as Operator in three of the producing oil and gas assets, in three development phase fields and one exploration stage field, in which it has rights, and as such Ithaca is responsible for contracting with the service contractors and suppliers of materials and equipment required for carrying out the exploration, development and production operations in these fields. As the Operator in its key assets, Ithaca is able to effectively manage the timing and cost of its various investments in the assets. Such management enables Ithaca the control and flexibility to plan future investment.

1.8.14. Working capital

According to its financial statements as at December 31, 2021, Ithaca has a working capital deficit of USD 474 million, mainly due to changes in the market value of short-term financial derivatives. Breakdown of Ithaca's working capital:

	The amount included in Ithaca's 2021 financial statements (in USD millions)
Current assets (mainly accounts receivable from transactions and inventory)	561
Current liabilities (mainly accounts payable to suppliers)	1,035
Surplus current liabilities over current assets	474

For further information, see Note 10F to the Financial Statements.

1.8.15. Financing

(A) Ithaca funds its operations from equity (operating cash flows), credit facilities, debentures and loans.

As described below, Ithaca completed a refinancing process, that included, among other things, the provision of a USD 1.225 billion Reverse Based Lending Facility (hereinafter - "**RBL Facility**") that will be repaid by 2026, a final (early) repayment of Ithaca's existing debenture series at the total amount of USD 500 million (instead of repayment in 2024), and repayment of a USD 250 million shareholder loan extended by the Company to Ithaca. For further information see Notes 12R(1) and 17C to the Financial Statements attached to this Report.

Furthermore, in July 2021, Ithaca issued debentures in an amount of USD 625 million.

For information regarding a previous credit facility extended to the Company in July 2019, unsecured debentures issued by the Company in July 2019, and other loans extended to Ithaca's parent companies in August and November 2019 for the purpose of, among other things, financing the Chevron Transaction, see Sections 1.8.18 and 1.14 to the Company's 2020 Periodic Report, as published on March 31 2021 (Ref. No.: 2021-01-052227), which are incorporated herein by way of reference.

(B) RBL Facility

In July 2021 Ithaca finalized an agreement with a consortium of international banks for the provision of an RBL Facility in the amount of USD 1,225 million.

(1) The facility was provided for a term of 5 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 facility of up to USD 300 million out of the overall amount shall be used by Ithaca to provide collaterals (LCs) in relation to liabilities in connection with the decommissioning of its oil assets. The unutilized facility can only be utilized if certain conditions are fulfilled, based mainly on the expected production rate and forecast prices of oil and gas.

As at December 31, 2021, the balance of the RBL Facility amounts to USD 350 million. As at the approval date of the Report, the balance of the RBL Facility amounts to USD 150 million.

(2) To secure the RBL Facility, Ithaca placed first ranking charges in favor of the lenders on the shares of the subsidiaries that directly hold rights to oil assets. In addition, Ithaca created floating and fixed liens on the assets of the subsidiaries, as is standard practice in this type of transaction.

(3) The terms of the RBL Facility provide a number of restrictions that if breached will serve as grounds for immediate repayment, as is customary for such loans, and including:

A. Additional borrowing - the RBL Facility includes a restriction on additional borrowing other than certain types of credit that are classified as permitted under the terms of the Facility;

B. Sale and purchase of assets - Ithaca and the Ithaca Group companies may not sell the assets with regard to their underlying reserves the RBL Facility was granted. Ithaca may also not purchase new assets, other than in circumstances under which such purchase is included in the projected cash flows and according to the projected cash flows the expected amount of sources exceed the expected amount of uses, and without such purchase of assets causing a digression.

C. Liens and guarantees - Ithaca is not permitted to create liens on its assets, provide guarantees or provide loans unless in certain exceptional cases stipulated in the RBL Facility.

D. Restrictions on distribution or payment of dividends, as set out below.

(4) The terms and conditions of the RBL Facility include restrictions on dividend distribution if the following conditions are met at the distribution dated:

A. All payments that Ithaca undertook under the terms of the RBL Facility were paid in full.

B. 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.

C. -The distribution is only permitted from the earlier of the following: (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 and conditions 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 subsections (1) and (2) above will no longer apply.

(5) Under the terms of the RBL Facility, Ithaca undertook maintain the financial and operational covenants, as follows:

A. The net debt to EBITDAX ratio[138] in the relevant period will be less than 1:3.5 which is tested upon the delivery of the financial statements of Ithaca;

B. The total sources should exceed the total uses up to the repayment date. Compliance with this covenant is tested according to the liquidity test every six months. In addition, the liquidity test is also performed in the event of the acquisition of a new asset or in the event that Ithaca intends to distribute a dividend;

C. The ratio between the net present value of the guaranteed 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;

D. The ratio between the net present value of guaranteed cash flows under the RBL Facility over the RBL Facility's life, and the amount withdrawn from the RBL Facility will not fall below 1:1.05.

E. 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.

As at December 31, 2021, and at the date of approval of the Report, Ithaca is in compliance with the financial covenants and operating covenants set out above.

(6) <u>Debenture issuance</u>

A. In July 2021, Ithaca completed an issue of debentures amounting to USD 625 million. Under the terms of the issue, the principal of the debentures will be repaid within 5 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.

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138 Earnings Before Interest, Taxes, Depreciation, Depletion, Amortization, and Exploration expenses

B. Some of Ithaca Group companies serve as guarantee for the Group's liabilities in the debentures. Under the terms of the debentures, insolvency of any of the guarantors will be grounds for calling for immediate repayment of the outstanding debt.

C. The terms of the debentures provide a number of restrictions that if breached will serve as grounds for immediate repayment, as is customary for such loans, and including:

1. Additional borrowing - Ithaca and Ithaca Group companies may not take additional borrowing, beyond the maximum, other than the types of credit classified as permitted in the terms of the debentures;

2. Sale and purchase of assets - the ability of Ithaca and the Ithaca Group companies to sell their assets is restricted to a threshold defined in the terms of the debentures.

3. The terms and conditions of the debentures include limitations on payments constituting distributions or dividends.

As at December 31, 2021 and the date of approval of the Report, Ithaca is in compliance with all the restrictions and terms set out in the debentures.

(7) Hedging transactions

As part of its risk management strategy, Ithaca executes from time to time, according to changing market conditions, hedging transactions (mainly PUT and SWAP) on oil and natural gas prices and realizes such transaction.

As of December 31, 2021, Ithaca has open hedging transactions on oil and gas prices in respect to 10 million barrels, at an average hedged price of USD 57 million per barrel, In addition, as at December 31, 2021, Ithaca has open hedging transactions on gas prices in respect of 313 million thermal units at an average hedged price of 49 penny/therm. For additional details, see Section 9 to the Resources Report.

1.8.16. Liens

Other than the liens pledged to secure the RBL Facility, as described in Section 1.8.18(A) above, Ithaca did not create any additional charges on its assets. For further information concerning the charges provided with regard to loans that Ithaca's parent companies received, see Section 1.14 of the Report.

1.8.17. Taxation

(A) Ithaca's oil and gas exploration activities are subject to specific UK tax arrangements, which include, inter alia, corporate income tax, supplementary charge and petroleum revenue tax. As at December 31, 2021, Ithaca had cumulative tax losses in a total amount of USD 1.3 billion. Based on the current commodity prices, the cumulative losses are expected to fend off tax liabilities for the Ithaca Group in the medium term. As at December 31, 2021, the effective tax rate applicable to oil and gas companies in the UK was 30%, the supplementary charge tax was 10%, and the tax on oil revenues, if applicable, was 0%.

(B) Profits of the Company, if any, for the oil assets in the Gulf of Mexico will be taxed in the United States under federal corporate tax, at a rate of 21%. In addition to the federal tax, revenue arising from the projects in Louisiana will be subject to state tax at the rate of 4%-8%.

(C) The Company's profits in Canada, if any, will be subject to corporate tax at a total rate of 30% (15% - the federal tax rate and 15% - the tax rate in Newfoundland and Labrador).

1.8.18. Environmental risks and management thereof

(A) Drilling operations and oil and gas production involve various environmental risks, inter alia, as a result of gushing and/or spills and/or leaking of oil and/or natural gas, that may occur due to malfunction of equipment and/or work procedures and/or unexpected events. The severity of the risks varies for each incident and therefore the method for handling and treating them also varies. The main provisions of the environmental laws applicable to the Company in the Foreign Energy Segment are set out below:

(1) UK

The Ithaca Group is subject to the provisions of laws, regulations and permits issued by the competent authorities in the sector of its operations, relating to environmental protection. British law fixed limits and restrictions regarding discharge or emission of substances into the environment and regulates methods for supervising storage and transportation of the substances produced or used in the oil industry. In

addition, legislation requires drilling sites and facilities to be decommissioned in a manner that the supervisory authorities deem satisfactory. It should be noted that, the environmental assessments of the projects involve increased liability of the companies and their officers and employees. Violation of legislative provisions could lead to suspension or cancellation of the licenses and permits required for Ithaca's operations in the field, as well as imposition of personal liability and company liability for any pollution damages and imposition of fines and sanctions against the Company and its officers. Furthermore, compliance with the legislative provisions involve substantial costs. Environmental legislation and policy are subject to frequent changes, which creates uncertainty as to the nature of future changes that could aggravate existing standards and result in significant additional costs.

(2) USA

Oil and gas development in the US is highly regulated, at both the Federal and State levels, for environmental protection (such as emission of particles into the air and the protection of land in which oil and gas production has been carried out). Several Federal and State agencies are responsible for enforcing environmental legislation, and its implementation has high operational and financial costs. This legislation imposes civil and criminal liability on operations that violate its provisions. Certain laws impose restrictions on oil and/or gas drilling and exploration in areas defined as sensitive, as well as various duties to prevent pollution, including methods for sealing and decommissioning of wells. In certain cases, the law imposes absolute liability for pollution, and the various agencies responsible for protecting the environment are authorized to impose responsibility for costs involved in preserving the environment (damages, clean-up costs, etc.) on those operating in the sector without the need for proof of guilt or negligence on their part, for example the Federal Compensation and Liability Act - Comprehensive Environmental Response, according to which the landowners and companies operating in a particular area can be held liable for damages caused in the said area and close to it due to their contribution to environmental pollution in the areas in which these bodies operate.

(3) Canada

The Canada-Newfoundland Offshore Petroleum Board (hereinafter in this subsection - the "**Board**") requires a developer to conduct a strategic environmental survey to assess all the possible environmental impacts of the project, including finding and analyzing potential risks to the environment. The Board requires operators to find and analyze potential risks to the environment. In addition, the operators are required to set out procedures, aimed at minimizing and containing the risks, to train their staff how to recognize and respond to possible scenarios, and to monitor the integrity of their equipment. Operators are required, by law, to conduct drills and training aimed at improving their preparedness for the occurrence of oil spills into the sea. These schedules are routinely inspected. The Board appoints a chief environmental officer whose job is to enforce compliance with the legislative provisions concerning conservation in the oil and gas sector, as well as environmental protection in the offshore oil and gas industry in the Newfoundland and Labrador Provinces.

1.8.19. Restrictions on and supervision of the Company's Foreign Energy Segment

(A) Regulatory compliance in the UK

The UK North Sea oil and gas licensing is regulated by the UK Oil and Gas Authority (OGA).

Exploration and production licenses are issued through tenders conducted periodically. Companies seeking to participate in exploration and production in the UK file application for a license in a license allocation round or acquire rights in existing licenses, subject to OGA approval. Each application is reviewed on the basis of a work program submitted by the license applicant. The license holder also bears annual maintenance costs based on the area and nature of the license. There are three types of licenses:

Offshore production license - awarded for oil and gas fields for the duration of the useful life of the asset (exploration, development and production). Recently, the Petroleum and Gas Authority began issuing a new subtype of offshore license, which allows the license holder considerable flexibility in formulating a work schedule for the license periods.

Onshore production license - equivalent to the offshore production license granted for oil and gas fields for the entire useful life of the asset (exploration, production and drilling). This license was previously known as Petroleum Exploration and Development Licenses (PEDLs).

Exploration license - usually intended for seismic surveyors which conduct surveys for the purpose of later sale of the fields to oil and gas producers.

Licenses are issued for predefined terms and automatically expire at the end of the term, unless sufficient progress has been made for granting an extension. The Oil and Gas Authority does not usually automatically halt operations once a license has expired. In such cases, the issued license

is usually extended for a limited period, as needed, to allow the required work to be completed. In view of the fact that most oil and natural gas exploration, development and production in the North Sea is offshore, the extensive marine engineering know-how developed in the UK focuses on overcoming the difficult climatic conditions and terrain while carrying out these operations.

(B) Regulatory compliance in the US

Oil and natural gas exploration, development and production in the US is highly regulated, on the Federal and the State level. Various legislation provisions regulate the exploration, development, production and marketing of oil and/or gas, and among other things, granting of drilling and exploration permits, positioning of wells, drilling methods, sealing, removal of materials used for drilling and decommissioning of wells, royalties to be paid to the State and to the Federal Government if they are the owners of the land on which production is carried out), as well as transportation of oil and gas between the states in the US and matters related to environmental protection.

Production, transmission and marketing of oil and natural gas in the US are subject to regulatory supervision, such as by the Federal Energy Regulatory Commission, US Department of Energy US Department of Interior, US Department of Transportation, and other Federal and State regulatory agencies. US Department of the Interior units that oversee oil and natural gas operations on federal land: the Bureau of Land Management, Bureau of Ocean Energy Management (BOEM), [139] - Bureau of Safety Environmental Enforcement (BSEE) and the Office of Natural Resources Revenue[140] (that regulates lease payments, royalties and other income from federal lands). Companies that produce and market oil and natural gas on state and federal land are required to hold approved drilling permits from the relevant government body prior to beginning drilling.

(C) Specific legislation applicable in Canada

In 1985, the Atlantic Accord was signed between the Government of Canada and the Provincial governments of Newfoundland and Labrador, two of Canada's ten provinces, with regard to regulation of oil and gas assets located in the Newfoundland and Labrador offshore area, including joint management of oil and gas resources and division of revenues from them. The Accord recognizes the equal interests of both governments in resource management (hereinafter - the "**Atlantic Accord**"). The Atlantic Accord was validated with the enactment of the Atlantic Accord Implementation Act, by both governments concurrently (hereinafter in this section - the "**Law**").[141] The Act deals with three main issues: The Board, the process for granting oil concessions and operating rights in oil assets.[142] The Board was established in 1986 under the Atlantic Accord and is responsible for all decisions concerning the regulation and administration of offshore oil operations. Other than fundamental decisions, all of the Board's decisions are final. The fundamental decisions include, among other things, calls for bids with regard to granting of rights and the decision of which of the bids will be granted the rights, as aforesaid; setting of the terms to be included in the exploration license; guidelines for the rights holder concerning implementation of the drilling; requirements for beginning, continuing, expanding or suspending production; and rescinding of any of a holder's rights.

When the Board makes a decision classified as a fundamental decision, the Board is required immediately after the decision to notify, in writing, the Canadian government minister and the Provincial government authority regarding the decision. Within 30 days of receiving such notice, each of the ministers are required to inform the Board whether they ratify or do not ratify the decision. As a rule, a fundamental decision will not become effective unless both of the ministers ratify the decision.[143] The Board issues three main types of licenses: exploration licenses", "significant

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139 The BOEM is the federal body responsible for management of the development of offshore oil resources in the USA. Its functions include granting of federal offshore licenses, resources assessment, management and supervision of oil and gas exploration and development plans, development of renewable energy, National Environmental Policy Act (NEPA) analysis and environmental surveys.

140 The BSEE is the federal agency in charge of security and environmental supervision of offshore oil and gas operations, including granting permits and conducting inspections of offshore gas and oil operations. Its functions also including development and enforcement of security and environmental regulation, granting offshore exploration, development and production permits, conducting inspections, marine regulation projects, addressing oil leaks and implementing compliance plans.

141 Canada-Newfoundland and Labrador Atlantic Accord Implementation Newfoundland and Labrador Act, R.S.N.L. 1990, c. C-2/ Canada-Newfoundland and Labrador Atlantic Accord Implementation Act, S.C. 1987, c.3). For further information see http://www.cnlopb.ca/legislation/statutes.php.

142 According to the definitions in the law, "oil" also includes natural gas.

143 Nonetheless, it is noted that the law provides circumstances under which also without ratification of both ministers, the decision will be deemed as ratified.

discovery" licenses, and production licenses, which confer upon the license holder rights, according to the type of license.

1.8.20. Material Agreements

(A) For further information concerning the Chevron Transaction, under which 100% of IOGL's shares were acquired by a subsidiary of Ithaca, see Section **Error! Bookmark not defined.**1.8.4(A)(2) above.

(B) For information about the Marubeni transaction for the purchase of 100% of the shares of Marubeni Oil and Gas (U.K.) Limited by a subsidiary of Ithaca, see Section 1.8.4(a)(5) above. 1.8.3(A)(4)

1.8.21. Legal proceedings

(A) On May 26, 2015, a class action lawsuit was filed against Ithaca at the High Court of Justice in Alberta, Canada, by an investor who alleges that Ithaca published information that constitutes a false representation, regarding the expected timetable for completion of the installation of the Floating Production Facility ("FPF-1) in the GSA Project. According to Ithaca, the claims of the class action lawsuit have no grounds. On March 7, 2019, the petition raising the argument concerning the existence of a secondary market of investors, as defined in the Securities Law of Alberta, and the clarification that this argument establishes cause for class action, was heard. On February 24, 2019, the petition was approved and later, it was certified as a class action. Nonetheless, the court found that the class plaintiff failed to provide prima facie evidence regarding certain parts of the claim, thus the cause for class action was limited to events that occurred between October 7, 2014 and February 25, 2015. In December 2019, Ithaca filed the statements of claim of Ithaca and the CEO, and the parties agreed on a discovery protocol.

Ithaca has insurance cover for this claim and the Company believes that the insurance cover is sufficient to cover its liability, if the claim is accepted. At this stage, Ithaca believes, based on the opinion of its legal counsel, that it is not possible to estimate the chances of the claim and the financial exposure arising from the claim, and therefore Ithaca did not include a provision for this claim in its books of accounts.

Forward-looking Information - The information set out above with regard to Ithaca's assessment regarding exercising the insurance coverage and the scope thereof constitutes forward-looking information as defined in Section 32A of the Securities Law, for which there is no certainty that it will materialize, in whole or in part, in the foregoing manner or in any other manner, and which may materialize in a materially different manner than that described above, and this due to various factors that are not in the Company's control.

1.8.22. Business strategy and goals

(A) For further information regarding the Company's goals and strategy for the Foreign Energy Segment, see Section 1.20 of the Report.

(B) Ithaca's strategy is to create long-term value by building a profitable oil and gas company in the North Sea region with focus on the following key activities:

(1) Maximization of cash flow and output from the existing asset base;

(2) Achieving long-term, low-risk growth of the operations, through assessment and development of undeveloped discoveries;

(3) Further growth, increasing existing reserves and diversifying the cash flow base by acquiring new assets for production, development and evaluation through focused acquisitions and participation in licensing cycles;

(4) Making low-cost acquisitions of licenses and discoveries in the vicinity of Ithaca's producing assets in order to expand Ithaca's production without significant infrastructure developments.

It is hereby clarified that, achieving the foregoing goals and strategy is dependent on various external factors that could prevent their achievement, or lead to changes in them.

1.8.23. Risk factors

In addition to the risk factors to which the Group is exposed in the Energy in Israel segment, many of which also apply to its energy operations abroad, the Company's operations in the Foreign Energy Segment are also exposed to the following additional risk factors:

(A) <u>Fluctuations in the exchange rates</u>

Ithaca's operations are subject to exchange rate fluctuations. Ithaca's expenses are primarily incurred in GBP while most of its agreements for the acquisition of assets as well as its oil sales agreements are denominated in USD or Euro. Such fluctuations may affect Ithaca's cash flows. Consequently, Ithaca engaged in agreements to hedge this risk, to minimize the risk of currency rate fluctuations. Nonetheless, there is no certainty that these actions can prevent impairment of Ithaca's cash flows due to the severe volatility of the exchange rates, mainly due to the current economic environment with extreme volatility in financial markets, as set out in Section 1.8.2(K)1.8.3(K) above.

(B) Economic recession

A global economic downturn may adversely affect the volume of consumption of oil and natural gas, and therefore may cause a decline in oil and gas prices.

(C) The Covid-19 crisis and its impact on the demand for and prices of oil and other energy products

The Covid-19 Crisis constitutes a risk to global demand for oil and other energy product In 2020 and 2021, the market experienced increased volatility, which led, among other things, to extreme volatility in prices. In 2022 demand for energy products has rebounded significantly and most analysts expect global hydrocarbon demand to return to pre-Covid-19 levels during 2022 or 2023, thus reducing the chances of steep decline in oil and gas prices that we experienced in 2020.

Ithaca is acting on various levels to mitigate the impact of the crisis on its business operations, however it not at all certain that these actions can prevent the ongoing crisis from adversely affecting aspects of the operations set out above and prevent disruptions in Ithaca's business operations.

(D) Brexit

Brexit is the decision by the UK to withdraw from the European Union (hereinafter in this section - "**Brexit**" and the "**EU**", respectively. On December 31, 2020, a transitional period ended, following which the UK is no longer subject to EU institutions and laws.

Consequently, Ithaca adopted measures to adjust its operations and its agreements to ensure that the effects of Brexit will not adversely impact it. To date, Brexit has not had any material effect on the operational continuity. Notwithstanding the foregoing, there is no certainty that Brexit will not impact Ithaca's operating and business operations, such as recruiting of human resources, trade activities and the flow of the resources and materials required for its facilities.

(E) Oil and gas prices

Global oil and gas prices, which are determined by supply and demand and by economic and political parameters, are volatile and changes in them may affect the results of the international energy sector. A decline in global oil and gas prices could affect Ithaca's current cash flow or the value of assets and economic viability of international energy projects. This may also lead to a change in investment decisions and decisions to develop new fields. All these parameters may lead to a decrease in the Group's production volume abroad. A significant decline in oil and gas prices compared to the average prices in recent years could limit or reduce Ithaca's ability to withdraw its credit line. For example, Ithaca carries out hedging transactions for oil and gas prices, but if the price of oil and gas rises above the scope of its derivatives, Ithaca will not be entitled to benefit from the proceeds.

(F) Difficulties in obtaining the required funding

Financing for petroleum exploration, development and production operations involves obtaining substantial funds from financing entities and other third parties. At times of financial crisis or economic slowdown there is a shortage of funding sources, and the financing institutions toughen the conditions for providing the required funds. In such cases, the Company's Foreign Energy Segment may encounter difficulty in obtaining the required financing for these operations at favorable terms, if at all.

(G) Competition

The oil and gas sector in the UK, US and Canada is more competitive. Competition is reflected, among other things, in exploration, production rate and marketing of the oil and gas, and the price obtained. Many companies and private entities with vast experience and proven know-how, large-scale workforce and diverse financial means, operate in the oil and gas sector.

(H) Dependence on weather and sea conditions:

The Company's assets and facilities located in the exclusive economic zone of the UK, the US and Canada are subject to damage and hazards due to extreme weather or tidal conditions typical of these regions, particularly in the winter months. Moreover, installation and maintenance of subsea facilities in the North Sea could be extremely challenging in winter. The typical extreme weather

conditions in the North Sea could cause unexpected delays and additional costs in Ithaca's operations.

(I) Dependence on processing and transportation infrastructures for marketing oil and gas

(J) In the event of a commercial discovery in the United States and Canada, the Company's ability to market oil and gas from its oil assets may depend on the availability, proximity and capacity of oil and gas pipelines and other existing oil and gas collection and processing facilities owned by third parties and beyond the Company's control.

(K) Reliance on key personnel

Ithaca's development and realization of its future potential are dependent upon the continued services and performance of its executive officers and key personnel. The loss of the services of any of the senior officers or key personnel may have an adverse impact on Ithaca. Generally, there is significant demand for management and employees skilled in the areas of the development, production and acquisition of oil and gas reserves. This demand is amplified in the UK North Sea region, which is rich in oil and gas assets, and it is possible that Ithaca may not be able to hire or retain qualified individuals, or its key personnel, in the future.

(L) Interests in licenses

In order to hold the Company's assets located in the territory of foreign countries, the Company is required to obtain licenses, concessions, permits and regulatory approvals (hereinafter in this section - the "**Licenses**"). In the majority of its licenses, the Company is a joint interest-holder with other third parties. Licenses may be revoked by the relevant regulatory authority in the UK, the US and Canada if one of the other interest holders of a certain asset is no longer deemed to be financially resilient, when there is no assurance that any of the obligations required to maintain the Licenses will be met by third parties that are unrelated to the Company. The Company's interests in the foregoing oil and gas assets are limited in time and are subject to regulatory provisions and requirements. The Licenses are valid for predefined terms and expire automatically at the end of the term, therefore there is no assurance that such Licenses will be renewed for a further term or that new Licenses will be granted following expiry. In addition, the areas in which the assets held by Ithaca are located, are subject to or may be subject to agreements with private landowners, and therefore if these agreements are canceled and are found to be invalid, Ithaca may be significantly affected.

(M) Regulation applicable to operations in foreign countries

The Company's operations are in the territory of countries in which its oil and gas assets are located. The Company's rights are subject to complex and changing regulations on various issues, such as granting of licenses in oil and gas assets for exploration, development and production, environmental protection and pollution control, safety for offshore and onshore operations, anti-corruption regulations, competition and antitrust, money laundering, export-import restrictions, environmental, taxation, liquidation and decommissioning of facilities and wells, and the possibility of expropriation or cancellation of contractual rights.[144] Such regulation may be changed from time to time, implementation of new legislation or regulations or the modification of existing legislation or regulations could reduce demand for natural gas and crude oil, increase costs and may have a material adverse impact on the Company's business. In addition, failure of the Company and/or its subsidiaries and/or their employees to comply with these laws and regulations may result in the imposition of severe criminal or civil fines and/or sanctions. Moreover, the Company is exposed to political and economic changes, including frequent changes in energy policies, cancellation or changes in rights in assets, currency restrictions, changes in tax are royalty rates payable to the State, oil and natural gas export rates and other risks that could adversely affect the Company's operations and profitability.

(N) Jurisdiction in a foreign country

In the event of a dispute arising in connection with its operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. Consequently, the Company's foreign exploration, development and production activities could be substantially affected.

The table below presents a summary of risk factors by type (macro risks, industry-specific risks and risks specific to companies operating in the Foreign Energy Segment), according to the estimates of the Company based on the degree of their effect on the Company: major, moderate or minor effect:

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[144] For further information regarding regulation applicable to the area of activity of the Company, see Section 1.8.22 above.

Effect of the risk factor on Group's business in the Foreign Energy Segment			
	Major	**Moderate**	**Minor**
Macro risks			
Fluctuations in the exchange rates			X
Economic recession	X		
The Covid-19 crisis and its impact on the demand for and prices of oil and other energy products		X	
The UK decision to leave the European Union (Brexit)			X
Oil and gas prices	X		
Difficulties in obtaining the required funding	X		
Industry-specific risks			
Competition		X	
Dependence on weather and sea conditions			X
Dependence on processing and transportation infrastructures for marketing oil and gas		X	
Specific risks in the Foreign Energy Segment			
Reliance on key personnel		X	
Interests in licenses		X	
Regulation applicable to operations in foreign countries	X		
Jurisdiction in a foreign country	X		

The impact of these risk factors on Company's operations is based on estimates alone and may actually be different.

1.9. Additional Operations

Activity in the fuel sector in Israel

In addition to the Group's areas of activity described above, the Group has activities that are not material in the fuel sector in Israel. Accordingly, below is a summary of the Group's activity in the sector.

The Group operates in the fuel products segment in Israel through Delek Israel and through Delek Properties and companies that they own. As at the approval date of the report, the Company holds (through Delek Petroleum) 25% of Delek Israel's issued and paid up share capital, when the remaining Delek Israel shares are jointly held by Lahav LR Real Estate Ltd. (hereinafter - "Lahav") jointly with BGM Ltd. (hereinafter - "BGM") and N.N.D.M Investment Consulting and Management Ltd. Delek Israel and companies that it owns will be referred together hereinafter in this Section **Error! Reference source not found.** as "Delek Israel". On February 18, 2022, Delek Israel published a first draft of a supplementary prospectus for an initial public offering of Delek Israel's securities.

As at the reporting date, and prior to completion of the listing of Delek Israel's shares on the TASE, the shareholders of Delek Israel and the rates of their holdings are the same as those of the shareholders of Delek Properties and the rates of their holdings in Delek Properties.

Delek Israel

Delek Israel engages in two main segments: (1) The retail segment: sale of fuels products at public gas stations (including those operated by third parties) and operation of convenience stores located at most of these gas stations; development, operation and maintenance of public gas stations and convenience stores, and also in production, sale, direct marketing and wholesale marketing of coffee products labeled "Joe"; and (2) the wholesale segment - direct marketing and distribution of fuel products and gas directly to the end user and the various distributors, including institutional customers, industrial customers and household customers.

On January 2, 2020, Delek Israel signed an agreement to purchase the control of Delek Gas Ltd. (formerly Koraz Gas Ltd.) and Delek Gas Holdings Ltd. (formerly Koraz Gaz Haifa Ltd.), companies that operate in the LPG marketing segment (hereinafter - "LPG") for household use.

Until October 25, 2020, the Company held 100% of Delek Israel's issued and paid-up share capital. On October 26, 2020, the transaction for the sale of 70% of Delek Israel's issued and paid-up share capital, fully diluted, was completed (when it was prescribed that 10% thereof was held in trust), in return for NIS 525 million, to Lahav and BGM (hereinafter - the "Acquirers"); part of the proceeds is a deferred consideration, and the Acquirers were given the option to purchase another 5% of Delek Israel shares. Payment of the deferred consideration and the exercise of the option were completed in February-June 2021. In view of the above, the Company's holding in Delek Israel, after payment of the deferred consideration and exercise of the option, is 25%.[145]

Delek Assets

On February 22, 2021, the Israel Tax Authority approved the completion of a split under Section 105 of the Income Tax Ordinance, under which, as from April 1, 2021 (hereinafter - the "**Date of the Split**"), the majority of Delek Israel's holdings in real estate in Israel, which it held until the Date of the Split through investee companies and partnerships, were split and transferred to Delek Properties, a new company established for the purpose of the split by the shareholders of Delek Israel (hereinafter - the "**Split Transaction**").

1.9.1. Disposal of holdings and assets in 2020-2021:

In 2020 and until the approval date of the report, Delek Israel sold several holdings and assets as follows:

(A) On July 6, 2020, Delek Israel completed the sale of all of its holdings in Pi Gliloth Limited Partnership, and the land on which Pi Gliloth operates its fuel terminals in Haifa, Ashdod, Be'er Sheva, and Jerusalem. For further information, see the Company's immediate reports of May 7, 2020, June 7, 2020 and July 7, 2020 (Ref. Nos: 2020-01-045153, 2020-01-057975 and 2020-01-072168, respectively), which include information presented here by way of reference.

(B) On February 22, 2021, the transaction for the sale of 2 power stations that were held by Delek Israel was completed. **For more information**, see the immediate reports of July 23, 2020 (Ref. No.: 2020-01-078138), October 21, 2020, (Ref. No.: 2020-01-114678), November 15, 2020, (Ref. No.: 2020-01-122937) **and February 23, 2021** (Ref. No.: 2020-01-021270), **included herein by way of reference**.

1.9.2. General

In Israel's fuel industry, there are infrastructure companies providing infrastructure services such as unloading, storage, supply and transmission of fuel, and fuel companies involved in marketing, distribution and sale of fuel products and lubricants at the Gas Station and Commercial Compounds, and the development, establishment and operation of gas stations and convenience stores. The four main gas companies, Paz Oil Company Ltd. (hereinafter - "**Paz**"), Delek Israel, Sonol Israel Ltd. (hereinafter - "**Sonol**") and Dor Alon Energy in Israel (1988) Ltd. (hereinafter - "**Dor Alon**"), jointly own 940 public gas stations in Israel. Other fuel companies together own about 321 public gas stations.[146] Delek Israel's operations include the sale of fuels and LPG at public gas stations (including marketing them at gas stations operated by third parties) and operating the gas stations, including refueling services using automatic refueling devices (hereinafter - "**Dalkan**") and selling oils and other products at public gas stations. Delek Israel also develops, establishes and operates gas stations and convenience stores. In some of the sites, Delek Israel leases areas to third parties for commercial purposes. In addition, in the wholesale market, Delek Israel markets, distributes, and supplies fuel products outside the public gas stations, directly to the customers' sites, which are not open to the general public, and in the household LPG segment.

As at the report date, Delek Israel marketed fuel products to 243 public gas stations nationwide. 178 of these gas stations are operated by Delek Israel and 203 included convenience stores. For further information on Delek Israel gas stations, classified according to proprietary rights to the land and

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[145] For further information, see the immediate reports issued by the Company on October 18, 2020 (Ref. No.: 2020-01-113067), October 26, 2020, (Ref. No.: 2020-01-116238), February 15, 2021, (Ref. No.: 2021-01-018478), March 25, 2021, (Ref. No.: 2021-01-045036), and June 23, 2021, (Ref. No.: 2021-01-105672), the information appearing in said reports are noted herein by way of reference.

[146] Based on Ministry of Energy information dated August 12, 2021.

terms of station operation, as at December 31, 2021, see Section 1.9.5 Delek Israel acts to maximize its retail potential in the gas station compounds, inter alia, by expanding buildings and renovating them, and properly managing the business mix in each of its compounds.

On September 23, 2019, Delek Israel purchased all Cup-O-Joe shares from the Company's private shareholders and is currently its sole shareholder (100%).

In 2019, Delek Israel completed the construction of a compressed natural gas (CNG) filling station in the Tzrifin area (hereinafter - the "**CNG Station**"). The CNG Station was constructed under Delek Israel's bid that won the Ministry of Energy's tender, and it is expected to serve vehicles powered by natural gas only. As at the reporting date, the CNG Station is not yet functional, since the connection of the CNG Station to the natural gas infrastructure has not yet been completed.

1.9.3. Customers

(A) Delek Israel's customers may be classified into two main groups: (A) in retail: private customers, who purchase fuel products, lubricants or retail products at the gas stations and convenience stores operated by Delek Israel, corporate customers, including fleets that subscribe to the Dalkan service, tender customers (Dalkan customers) Customers pay a price for fuel and oil products which is set at each station, whereas the price for 95 octane gasoline is controlled, and the payment is usually in cash or by credit card. In stations operated by an external operator, the selling price is determined in an agreement between the parties, and the operator determines the price for walk-in customers; (b) in the wholesale sector: household customers and small-scale businesses - Delek Israel supplies these customers with oil distillates, for LPG appliances, and in particular, LPG for heating, heating water and cooking, and gas stations associated with Delek Israel under operating contracts on its behalf and supply contracts for the purchase of fuel and oil products, as well as airlines receiving refueling services in Ben Gurion airport. These customers differ from the private consumers mainly in the credit terms (which are longer) and discounts which they receive.

1.9.4. Competition

(A) The fuel sector in Israel is characterized by fierce competition in of Delek Israel's operating sectors. According to data published by the authorities, there are dozens of registered fuel companies in Israel that are licensed to import fuel products or purchase them directly from the refineries in Israel. In the retail business, four of the active companies (including Delek Israel) hold the major share of the Israeli market. To the best of Delek Israel's knowledge, based on Ministry of Energy data, it is the second largest fuel marketing company in Israel (19% of all the gas stations), after Paz that owns 21% of all the gas stations, whereas Sonol and Dor-Alon own 18% and 17%, respectively. Delek Israel believes that each of its three main competitors has a nationwide gas station chain and the capability to provide fleet services. It is also noted that there are many small companies in the market, which together, as at the report date, operate 26% of the public gas stations in Israel.

(B) Delek Israel addresses the competition mainly through: professional and experienced management, with deep and long-standing familiarity with the areas of activity, providing Delek Israel with added value compared to its competitors; wide geographic distribution of filling sites and updating the range of services provided in the filling sites; financial robustness and professional marketing, operations, service, maintenance, and logistics systems with high control and monitoring capabilities; operation of a credit control system allowing favorable credit terms, as a marketing tool; and constant assessment of options for introducing new products, and providing available and accessible customer service to Delek Israel's customers.

1.9.5. Property, plant and equipment and facilities

(A) Gas stations operated by Delek Israel or by an independent operator supplying fuels, according to the nature of the proprietary rights in the land of the station and the operation of the stations, as at December 31, 2021*:

Group's proprietary rights		Operated by Delek Menta	Operated by Delek Israel-appointed operator	Operated by contractor	Total
Stations leased from Delek Properties	No third party rights granted	28	7	0	35
	Third party rights	16	1	0	17
Stations leased from third parties	No third party rights granted	113	10	0	123
	Third party rights	0	1	2	3
Total stations leased	157	19	19	2	178
Sublease of stations of IDF veterans	Excluding rental	0	0	6	6
	Including rental	20	1	0	21
Total stations of IDF veterans subleased		20	1	6	27
Sublease	Excluding rental	0	0	2	2
	Including rental	6	1	0	7
Total stations subleased		6	1	2	9
Ownership		1	2	0	3
No proprietary rights		0	0	35	35
Total		178	22	43	243

* It should be noted that the above information does not include two gas stations that are not yet open, however, contractual/tender commitments have been signed for their opening.

(B) <u>Proprietary rights in station land</u>

Delek Israel's gas stations are divided into four categories from the aspect of ownership of the land where the stations are located as follows:

(1) Gas stations leased by Delek Israel from Delek Properties - Delek Israel leases 52 gas stations owned by Delek Properties or under a direct lease/long-term rental by Delek Properties from the Israel Lands Authority or jointly owned.

(2) IDF veteran stations, which were established pursuant to an interministerial agreement between the State and the fuel companies. According to this arrangement, a disabled IDF veteran is now granted primary leasing rights for 49 years with an extension option for a further 49 years. At the same time, the fuel companies are granted secondary leasing rights for the same term in return for lease fees equal to those paid by the veteran to ILA. Delek Israel would lease the land to establish the gas station, install the equipment needed for its operation and maintain its systems. After establishing the station, Delek Israel appoints the veteran as an operator on its behalf, so that he must purchase all fuel products exclusively from Delek Israel, and the fuel product prices to the station are determined by Delek Israel. It is noted that these agreements are subject to various Ministry of Defense directives and restrictions. The right to the sublease of stations for IDF veterans to was not transferred to Delek Properties as part of the split transaction.

(3) Rented stations include those in which Delek Israel is sub-lessee or primary lessee from a third party which is not ILA and stations under long-term or short-term rental. Delek Israel usually commits to establish the station at its expense, install most of the equipment required for normal operation, and maintain all its systems. At these stations, the operator is obligated to purchase fuel products exclusively from Delek Israel and their price to the station operator is determined by Delek Israel.

(4) Stations for which Delek Israel has no proprietary, holding or right of use are those in which it has signed agreements with station owners usually granting it exclusivity in supplying fuel products for

one-year to three years; and the remaining cases include provisions with regard to commercial terms, including options for extension by the owner. In many of these agreements there is no collateral for the supply of fuel product.

Gas stations are operated in several ways: (1) By Delek Israel through Delek Menta; (2) By: Third party appointed by Delek Israel - Gas stations in this arrangement bear Delek Israel signage and purchase all products from it exclusively. The operator pays Delek Israel fixed and/or variable rent, based on the volume of sales at the station; (3) By an independent third party not appointed by Delek Israel - In these stations there are actually short-term supply agreements of a year, with the operator alone having the option to request renewal of the agreement for another one to three years. The supply agreements require operators to purchase fuel products and lubricants from Delek Israel at agreed prices and credit terms and sell them under Delek Israel trademarks and name, within price control restrictions and according to Delek Israel's instructions concerning various procedures.

(C) All Menta convenience stores are operated by Delek Israel through Delek Menta, except for 37 stores operated by franchisees. Delek Menta purchases inventory and bears all the risk involved in operating the convenience stores, other than in case of franchisees; the other franchisees purchase the inventory and bear all the risk involved in operating the stores.

(D) Property, plant and equipment: (1) Property, plant and equipment in the wholesale segment include the buildings and equipment in most public gas stations where it has property rights. In addition, Delek Israel has equipment installed in all its stations where it has no ownership rights or where it has short-term lease agreements. At some of these stations, Delek Israel also has property, plant and equipment in station buildings constructed many years ago, when it had proprietary rights (including long-term lease contracts) there. Delek Israel also has vehicles and trucks to transport the fuel and oil products; (2) the property, plant and equipment in the wholesale segment include the equipment at customer premises and facilities (mainly designated tanks and pumps) and equipment at the internal stations, including infrastructure, tanks, pipelines, electronic pumps, and electronic refueling and control systems.

1.9.6. Agreements with major suppliers

As at the reporting date, more than 90% of the fuel products sold by Delek Israel is purchased from Bazan, and a small amount of fuel products is purchased from Ashdod Refineries. The purchases from Bazan are made under an annual agreement according to which Bazan will sells and supplies fuel products to Delek Israel. The price of fuel products purchased from Bazan is determined according to a formula derived from the CIF Lavera prices, which include maritime shipping costs and insurance.

1.9.7. Risk factors

Other than the risk factors to which the Group is exposed, as set out in Section 1.24 below, the Group's operations in the fuel products in Israel segment are exposed to other risks, including: establishment of additional gas stations, fuel taxation, change in requirements for inventory, dependence on infrastructure facilities, change in government supervision regarding the marketing margin, development of alternative energy sources, dependence on refineries, application of the EMV standard, and the effect of the ownership structure on gas stations in Israel. The impact of these risk factors on Company's operations is based on estimates alone and may actually be different.

1.10. Property, plant and equipment and investment property

The Company holds several real estate properties. Below is a breakdown of the main ones (that do not belong to the operating segments described above):

(A) **Delek House**

As at the publication date of the report, the Company1.10 holds 71.735% of the rights in a building located at 19 Abba Eban Boulevard, Herzliya (the "**Building**") which reflects rights in 100% of the space in the office wing and 75% of the rights in commercial and hotel space. The Building has 4 floors above ground covering 25,000 m² with four floors above ground, and includes a 3-level basement parking lot (hereinafter in this section - the "**Property**"). 1,300 m² of the building is used as offices for the Company, its subsidiaries and companies owned by the controlling shareholder.

In March 2018, the Company received a permit for rezoning to a hotel, and a lease agreement was signed between the Company and Fattal Hotels Ltd. (hereinafter - "**Fattal**") for the hotel that was constructed in May 2018. Under the agreement, Fattal operates the hotel in the hotel area leased to it, which has 180 rooms as well as a swimming pool, spa, restaurant, bar, conference hall, lounge, conference rooms, commercial space, etc. The term of the lease is for 5 years from May 15, 2018 and the base rental fee is fixed at NIS 725 thousand per month, linked to the CPI. In addition to the rental fees, Fattal also pays additional rental at a rate equivalent to half of its remaining operating profits as defined in the lease agreement. It should be noted that due to the Covid-19 crisis, the hotel suspended its operations from March 2020 and reinstated them in July 2021.

In February 2019 a sale transaction was concluded under which the Company sold to Fattal 28,265/100,000 of the Company's existing and future title rights in the Property (if any, and which were wholly-owned by the Company until then) whereby rights were transferred to Fattal for 1/3 of the hotel and 1/3 of the rent paid by it under the above lease, in return for NIS 80 million (plus VAT). Furthermore, a partnership agreement was signed between the Company and Fattal, both as a "partnership in land" for the purpose of regulating the joint hotel and commercial management and use rights to promote planning processes to increase the scope the joint rights in the land and exercise them, and for the purpose of dividing the Property between the different uses (hereinafter in this subsection - the "**Partnership Agreement**").

In December 2021, approval was received for Plan No. 504-0581652 promoted by the Company, under which an increase in rights was approved so that the plan will include, among other things, 5,600 square meters housing, 10,334 square meters employment, 10,334 square meters hotel and 1,330 square meters commercial space.

For further information relating to Delek House, see Note 11(A) to the Financial Statements.

(B) **Property in Acre**

On March 25, 2021, the subsidiary, Delek Yam Maagan (2011) Ltd. (hereinafter - the "Subsidiary"), signed a detailed sale agreement for the sale of its entire (100%) rights in the 43 hectare of land close to the sea shore in Acre (hereinafter - the "Land"), and on October 12, 2021, it signed an addendum to the sale agreement (hereinafter – the "Sales Agreement Addendum") under which the sale will constitute 75% of the Land, so that after closing of the transaction under the sale agreement, the Subsidiary will hold 25% of the rights in the Land and the parties will be partners in the Land. In return for the sale of 75% of the rights in the Land, a total amount of NIS 150 million was paid to the Subsidiary with the addition of VAT, of which NIS 12 million was deposited in trust. It should be noted that the agreement provides terminating conditions with regard to the terms of the agreements that the parties will sign with regard to the Land, if they sign, with Israel Lands Authority and with the competent authorities regarding the approved rehabilitation plan for the Land. The termination conditions period will end within six months from the date of signing the addendum to the sale agreement. The buyer may waive execution of the terminating conditions, at its sole discretion, by the end terminating conditions period, and all in accordance with the terms fixed in the agreement and the addendum. If the terminating conditions are met in a manner that will result in the cancellation of the sale agreement, the seller and the Company will return to the buyer the full consideration paid by the buyer within 13 months from the date of the buyer's notification of the cancellation of the agreement. For further information, see the Company's immediate reports of March 25, 2021 (Ref. No. 2021-01-046893) and October 12, 2021 (Ref. No. 2021-01-087178), which include information presented here by way of reference. The parties are working to sign an addendum to the lease agreement with the Israel Land Authority, to promote the plan for treating and cleaning of the Land with the Ministry of Environmental Protection, with the aim of establishing a construction project on the Land.

For further information concerning the motion for certification of a class action that was filed with respect to environmental protection regarding the land, see Note 23A4(2) to the Financial Statements.

1.11. Human resources

1.11.1. Organizational structure

The Group's executive officers and other administrative staff are also involved in the management of some of the Company's investees and which are considered to be part of the Company's Staff Companies. (For a flowchart illustrating the structure of holdings of the Group and definition of its Staff Companies, see Section 1.1 above).

The description in the sections concerning the Company's entire operations refers to the Company and its Staff Companies (100%) as a single entity.

1.11.2. Employee headcount

The Company employs a staff (including service providers) of 15 (compared to 25 in 2020), of whom 4 are senior officers and the rest are head office and administration employees.

1.11.3. Officers and executive management employees in the Group

The officers and executive management employees are employed under personal contracts or management fees agreements. The officers are eligible for insurance, waiver and indemnification in respect of activities performed in their official capacity. For further information concerning the senior officers, see Regulation 26 in Chapter D to the Periodic Report below.

For further information pertaining to remuneration of senior officers in the Group pursuant to Regulation 21 in the Periodic and Immediate Reports Regulations, including information relating to the revised officers' compensations policies, see Chapter D to the Periodic Report below.

1.12. Working capital - details and composition

The Company's working capital consists of the Company's current assets, including cash or deposits in banks, investments in securities, taxes receivable and other receivables. On the other hand, the Group has current liabilities with regard to its obligations to debenture holders and other lenders, which are due for repayment as of the coming year, and other payables.

As at December 31, 2021, the Company (standalone) has a working capital deficit of NIS 168 million (compared with a working capital deficit (standalone) of the Company as at December 31, 2020 amounting to NIS 5.2 billion, due to classification of debentures and other liabilities of the Company to short term, as set out in Notes 18 to the Financial Statements). It should be noted that the working capital of the Company and the Staff Companies at December 31, 2021 amounts to a positive sum of NIS 89 million. The Group (consolidated) has a working capital deficit of NIS 861 million. For additional details regarding the working capital and its composition, see Note 1C to the financial statements.

1.13. Financial assets

Breakdown of the liquid balances of the Company and its wholly owned subsidiaries, as of December 31, 2021 and the report's approval date:

	At December 31, 2021 (in NIS millions)	Close to the report's approval date (in NIS millions)*
Cash and deposits**	310	114
Securities portfolio	5	5
Deposits pledged in favor of debenture holders	155	30
Total	**470**	**149**

* The decrease in the liquid balances subsequent to December 31, 2021, arises mainly from early repayment of Debentures (Series B18 and B19) in the amount of NIS 385 million, as set out in Section 1.14.3(D) below.

** The cash and deposits are in held in Israeli and in foreign banks.

For further information regarding investments in securities and with regard to financial assets, see Notes 4 and 9 to the Financial Statements.

1.14. Financing

1.14.1. General

Due to the Covid-19 crisis and in light of the sharp decline and highly volatile rates of the securities of the Company's and its investees, in the first half of 2020 (June 2020) the Company entered into agreements with its creditors and signed an amendment to the deeds of trust of each the Company's debentures series at the time, as set out in Section 1.14.3 below.

During 2020 and at the beginning of January 2021, the Company and its Staff Companies repaid most of their secured debts to the banks and financial institutions, in a total amount of NIS 1.6 billion. For additional details, see Section 1.14 to Chapter A in the 2020 Periodic Report.

As at December 31, 2021 and the approval date of the Report, the Company has no loans from banks and others, other than a loan in the amount of NIS 104 million to finance the building in Herzliya, as set out in Section 1.4.6 below.

For information about the credit facilities and loans granted to NewMed and Ithaca, see the financing sections in the description of operating segments in Sections 1.7.17 and 1.8.18 above.

In addition, for further information concerning the Group's financing sources see Notes 17 and 18 to the Financial Statements.

1.14.2. Breakdown of the average interest rate on loans from bank and non-bank sources effective during the reporting period and which are not designated for specific use:

			Short-term loans		Long-term loans	
			Average interest rate	Effective Interest rate	Average interest rate	Effective Interest rate
Banking sources *	Unlinked NIS credit at variable interest		3%	3%	-	-
	USD linked credit		6.7%	8.3%	-	-
Non-banking sources	Linked NIS credit	Third party	-	-	7%	7.7%
		Debentures	5.5%	5.5%	-	-
	Unlinked NIS credit	Debentures	-	-	6.1%	5.6%

* As at December 31, 2021 and Reporting Date, the Company and Staff Companies do not have loans from banking sources.

1.14.3. Amendments to the deeds of trust of the Company

On June 17, 2020, the general meetings of debenture holders of the Company's different series which were still outstanding on that date (Series B13, B18, B19, B22, B31, B33 and B34) approved an amendment to the deeds of trust of the Debentures (hereinafter - the "**First Amendment**").

(A) Under the First Amendment, the following provisions were set, inter alia:

(1) Capital raising - the Company undertook to raise capital in an aggregate amount of NIS 500 million by April 8, 2021, by means that where decided. In May, August and December 2020 and April 2021, the Company raised a total of NIS 625 million (including in return for exercising options into Company shares).

(2) Negative pledge, prohibition of early payment and other liabilities: the Company's undertaking that in the stipulated period (as defined below), the Company and the private companies under its control:

(a) Will not create liens, will not increase the amounts secured by existing liens, and will not provide guarantees, other than liens and guarantees that are exempt as set out in the deed of trust.

(b) Will not pay creditors on a date that is earlier that the date set out in the repayment schedule, other than payments that are exempt as set out in the deed of trust.

(c) Will not transfer funds and/or assets to Ithaca companies and/or their creditors and will not assume liabilities and/or guarantees regarding Ithaca companies[147] and/or their debts, other

[147] "Ithaca companies" means DKL Investment Limited (hereinafter - "**DKL**") and any company under its control.

than payments that are exempt or that the Company is permitted to perform as set out in the deed of trust.

(3) Liens: the Company undertook to create a lien on the various rights and assets of the Group, in favor of the Company's trustees and debenture holders, including liens on participation units that confer interests in the rights of the limited partner in the Partnership, representing 40% of the capital in the Partnership's issued units.

For further information regarding this provisions in the First Amendment, including grounds for immediate repayment, additional statements and undertakings of the Company, see Section 1.14.3 to Chapter A of the 2020 Periodic Report and

and the immediate reports issued by the Company on June 14, 2020 (Ref. No.: 2020-01-061782), June 15, 2020, (Ref. No.: 2020-01-062244), June 16, 2020, (Ref. No.: 2020-01-062382), June 17, 2020, (Ref. No.: 2020-01-062943), June 21, 2020, (Ref. No.: 2020-01-064374), the information appearing in said reports are noted herein by way of reference.

(B) On May 30, 2021, the general meeting of debenture holders of Series B18, B19, B22, B31, B33 and B34 approved a second amendment to the deeds of trust of the debentures (hereinafter - "**Second Amendment**"), the main points of which are: Deferral of the Rating Covenant stipulated in the First Amendment as at September 15, 2021 and if the rating is not upgraded by then, the Rating Covenant will be deferred several times until March 31, 2022, provided that the Company deposits in the trust account the full amounts required for repayment of the principal and interest in the first quarter of 2022 in four specified installments; the Company undertook to do its utmost to complete the Ithaca issuance by September 15, 2021 and transfer the funds received to the trustee; the Company undertook to raise capital in the amount of NIS 125 million according to the distribution prescribed; the interest on the debentures will increase at an annual rate of 0.25% as from June 1, 2021 until the rating is updated to -BBB. It should be noted that on November 23, 2021, the rating of the Company's debentures was upgraded by Midroog to Baa3.il with a stable outlook and on December 30, 2021, S&P Maalot upgraded the rating of the Company's debentures to -BBB with a stable outlook, as set forth in Section 1.14.12(B) below.

For further information about the Second Amendment to the Deed, see the Company's immediate report of May 30, 2021 (Ref. No. 2021-01-092382), which contains information included herein by way of reference.

(C) On November 23, 2021, the general meeting of debenture holders of Series B18, B19, B22, B31, B33 and B34 approved a third amendment to the deeds of trust (hereinafter - the "**Third Amendment**") that allowed the Company to bring forward the payments of debentures of Series B22, B31, B33 and B34, for which the maturity date under the repayment schedule was by March 31, 2022, simultaneously with lifting of the lien of up to 6% of NewMed Energy's participation units, which were pledged in respect of the said debenture series and pledging them in favor of the trustee of debentures (Series B36), which will lead to the release of funds raised by the Company and held by the trustee of debentures (Series B36). On December 19, 2021, the Company transferred payments to the debenture holders of the relevant series amounting to NIS 1.7 billion. Furthermore, the Company registered in favor of the trustees through Delek Energy, a fixed first-degree lien, unlimited in amount, over 1,001,000 shares, which constitute 100% of the issued and paid-up capital of Delek Overriding Royalty Leviathan Ltd., over the profits and attached right, to secure all the Company's liabilities under all deeds of trust of all series, including all their amendments and addenda.

For further information about the Third Amendment to the Deed, see the Company's immediate report of November 28, 2021 (Ref. No. 2021-01-172170), which contains information included herein by way of reference.

(D) On February 14 and 17, 2022, the general meeting of debenture holders (Series B18, B19, B31 and B34) of the Company approved the fourth amendment to the deeds of trust (hereinafter - the "Fourth Amendment") under which approval was given for the Company to publish a partial tender offer for exchange of Series B31 debentures with Series B34 debentures, and for prepayment of 100% of the principle, interest and linkage differences payable by the Company, according to the repayment schedules until full and final repayment of each of the Series B18 and B19. For further information, see immediate reports issued by the Company on February 20, 2022 (Ref. No.: 2022-01-020479) and March 6, 2022 (Ref. No: 2022-01-026545), the information appearing in said reports are noted herein by way of reference. On March 9, 2022, the Company made a full and final settlement of the payments to the debenture holders of Series B18 and B19 in a total amount 385 of NIS. Pursuant to a shelf offering memorandum by way of a full exchange tender offer issued by the Company on February 24, 2022, the offer was answered by holders of NIS 832,921,104 par value Debentures Series B31, which constitute 37.72% of the holders of Debentures Series B31, and accordingly, and

pursuant to the terms of the exchange tender offer, an additional NIS 852,911,210 par value Debentures Series B31 were issued. For further information concerning the exchange tender offer, see the immediate reports issued by the Company on February 24, 2022 (Ref. No: 2022-01-022867), and on March 2, 2022, (Ref. No.: 2022-01-021216), and on March 7, 2022, (Ref. No.: 2022-01-022398), where the information appearing therein is included by way of reference.

(E) As at December 31, 2021 and shortly before the date of the Report, pursuant to the Company's obligation under the amendments to the Deeds of Trust, it placed in a fixed first degree pledge in favor of the debenture holders on the following assets:

(1) 399,202,389 participating units, which constitute 34% of the Partnership's capital;

(2) 5,143,129 Delek Energy shares (and rights attached to shares), which constitute 100% of Delek Energy's share capital;

(3) 10,000 Delek Group Holdings Israel shares (and the attached rights), which constitute 100% of Delek Group Holdings Israel 's share capital;

(4) 100% of the Company's rights of any kind in Delek Financial Investments - Limited Partnership;

(5) 2,837,160 Delek Israel shares, which constitute 25% of Delek Israel's share capital and 2,837,160 Delek Israel Properties shares, which constitute 25% of Delek Israel Properties' share capital, held by Delek Petroleum;

(6) 100% of the rights of Delek Group Holdings Israel in Delek Financial Investments (Delek Group Holdings Israel is the general partner of Delek Financial Investments);

(7) All the Company's rights by virtue of the loans (including capital notes) provided by the Company to Delek GOM Holdings, DKL Investments Limited, DKL Energy Limited, Ithaca Energy Limited, Delek Sea Maagan 2011 Ltd., and Delek Power Stations Limited Partnership;

(8) All the Company's debentures and shares held by Delek Financial Investments;

(9) A loan provided by the Company to Belenus Lux S.a.r.l, as described in Section 1.15.3(A) below.

(F) For a concise tabular description of the main pledges provided in favor of the Company's debenture holders pursuant to the amendments to the Deeds of Trust, see Section 1.14.3(G) below.

With regard to the Company's compliance with its obligaitons under the amendments to the Deeds of Trust, see Note 18 to the Financial Statements.

Brief description	Information
399,202,389 participating units of NewMed Energy of NIS 1 par value, which constitutes 34% of the participating units in NewMed Energy	See Note 18 to the Financial Statements
25% of the share capital of Delek Israel	See the condensed financial information attached as Appendix C to the Board of Directors' Report
25% of the share capital of Delek Properties	See the condensed financial information attached as Appendix C to the Board of Directors' Report
Pledges on all the Company's rights by virtue of the loans (including capital notes) provided by the Company to Delek GOM Holdings DKL Investments Limited DKL Energy Limited Ithaca Energy Limited Delek Sea Maagan 2011 Ltd. Delek Power Stations Limited Partnership	See the "Loans and Capital Notes to Investees" section and the "Investments in Investee Companies and Partnerships" section from the financial data in the Consolidated Statement of Financial Position attributed to the Company in Note 10 to the Financial Statements. To the best of the Company's knowledge, the value of the loans and capital notes is not materially less than their carrying amount.
586,422 Company shares held by Delek Financial Investments	See "Treasury Shares" in Chapter 5 of the Board of Directors' Report, "Sources of Finance and Liquidity"
Rights by virtue of loans provided to third parties - a pledge was registered in respect of a loan provided by the Company to Belenus Lux S.a.r.l.	See "Sellers Loan - Transaction for the Sale of The Phoenix Shares" in the Board of Directors' Report and Note 10E1 to the Financial Statements.

Brief description	Information
100% of the issued and paid-up capital of Delek Overriding Royalty Leviathan Ltd.	See the condensed financial information attached as Appendix C to the Board of Directors' Report. In addition, see the information regarding the assessment of reserves and contingent resources attributed to the Leviathan oil asset and the discounted cash flow from the Company's share of the oil asset, as at December 31, 2021, see the Company's immediate report of February 20, 2022 (Ref. No. 2022-01-020293), which includes information presented here by way of reference.

1.14.4. Addendum to the support agreement signed with Bank Mizrahi and consortium of financing entities

For more information regarding the addendum to the support agreement signed with **Bank Mizrahi** and financing consortiums, see Section 14.51 to Chapter A to the 2020 Periodic Report. The outstanding balance (principal) of the financing as at December 31 2021 is NIS 496 million. For additional details, see Note 10E to the financial statements.

1.14.5. Credit facilities

In 2020, the Company fully repaid all its credit facilities and loans to the relevant banks and as at December 31, 2021 and shortly before the approval date of the report, the Company and Delek Energy do not have any credit facilities from banks.

1.14.6. Loans

As at December 31, 2021, the Company has one loan from a third party, as outlined below. For additional details regarding this loan, see Section 1.14.7(f) to Chapter A of the 2020 Periodic Report.

Borrower	Lender	Loan received on	Original loan amount	Loan principal as at December 31, 2021	Loan principal balance close to Report approval date	Principal repayment dates	Interest and linkage	Collateral
The Company	Third party	January 25, 2021	NIS 104 million	NIS 107 million	NIS 104 million	Due on January 24, 2024	Interest of 7% linked to the CPI	Lien on the land rights and other rights in the office building in Herzliya.

1.14.7. Convertible liability

On December 18, 2019, DKL together with the Company signed an agreement with a financial institution with regard to an investment of USD 50 million in DKL with an automatic conversion mechanism, under certain conditions, into ordinary shares of the issuing company in the event of an IPO of Ithaca or its affiliate. For further information, see Note 18H to the Financial Statements.

1.14.8. Debentures

(1) <u>New debenture issuance</u>

(A) In June-July 2021, the Company issued to the public NIS 770,806,000 par value debentures (Series B35) for a total consideration (gross) amounting to NIS 774 million, and according to the deed of trust signed with Mishmeret Trust Company Ltd. 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), the details of which are included herein by way of reference.

For further information on concise details of the defense mechanisms set out in the deed of trust, completion of registration of the liens thereunder, 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), which contain information presented here by way of reference.

(B) On November 7, 2021, the Company's Board of Directors approved a private placement of NIS 66,493,000 par value debentures (Series B 35) of the Company, to offerees that are investors included in the class set out in the First Schedule to the Securities Law, for a total consideration of NIS 71,014,524 million. For more information, see the Company's immediate reports of August 7, 2021 (Ref. No.: 2021-01-163704), included here by way of reference.

(C) In October 2021, the Company issued to the public NIS 360,000,000 par value in Debentures (Series B36), a new debenture series, for a total (gross) consideration of NIS 360 million, and in accordance with the deed of trust signed with Reznick Paz Nevo Trusteeships Ltd. For further details, see the Company's immediate reports dated October 24, 2021 (Ref. No. 2021-01-090571) and October 25, 2021 (Ref. No. 2021-01-090979), the details of which are included herein by way of reference.

For further information on concise details of the defense mechanism set out in the deed of trust, see the Company's immediate report of October 26, 2021 (Ref. No. 2021-01-159996), which contains information presented here by way of reference.

(D) On December 8, 2021, the Company's Board of Directors approved a private placement of NIS 69,249,000 par value debentures (Series B 36) of the Company, to offerees that are investors included in the class set out in the First Schedule to the Securities Law, for a total consideration of NIS 69,595,245 million. For more information, see the Company's immediate reports of December 9, 2021 (Ref. No.: 2021-01-177906), included here by way of reference.

(2) Partial exchange tender offer to exchange Series B31 debentures will Series B34 debentures - for further information, see Section 3.14.1(d) above.

(3) Final and partial repayment of series of debentures - In 2021 through to Reporting Date, the Company repaid a total amount of NIS 2.7 billion in respect of principal and interest payments (including linkage) of debentures. For further information see the immediate reports issued by the Company on February 21, 2021 (Ref. No: 2021-01-021283), and March 29, 2021, (Ref. No.: 2021-01-049596), and June 30, 2021, (Ref. No.: 2021-01-109551), and September 29, 2021, (Ref. No.: 2021-01-148896), and October 31, 2021, (Ref. No.: 2021-01-161310), and November 10, 2021, (Ref. No.: 2021-01-165033), and the information noted in these reports are noted here by way of reference. It should be noted that the foregoing amount includes the advance of the payments and the final repayments of the Company's debenture series dated December 19,.2021 and March 9, 2022 due to the third amendment and the fourth amendment to the deeds of trust as set out in Sections 3.14.1(b) and 3.14.1(c) above.

(4) For further information concerning the Company's debentures, see Chapter E in the Company's Board of Directors' Report. For further information regarding restrictions under the Company's debentures, see Section 1.14.9(A) below.

(5) For further information about the debenture offering in a total amount of USD 180 million, issued in 2020 to foreign and Israeli classified investors by Delek Overriding Royalty Leviathan Ltd., a special purpose subsidiary of Delek Energy, and secured by the overriding royalty from Leviathan and the rights attached to the royalty, see Section 1.7.17(b) above.

1.14.9. Restrictions on the Company under the financing agreements

(A) Under the first amendment of the deeds of trust of Debentures (Series B31 and B34) in circulation, financial ratios were established as set out in Section 0 to Chapter A of the 2020 Periodic Report.

(B) Under the First Amendment to the Deeds of Trust all the causes for immediate repayment in any of the deeds of trust were added to all of the series, so that each of the series has the same causes. As at Report Date, only two debentures series remain, Series B31 and Series B34.

(C) In June and October 2021, the Company issued two new series of debentures, Series B35 and B36, respectively, as set out in Section 1.14.8(1) above.

(1) The deed of trust for debentures (Series B35) includes the following Company obligations:

To secure the repayment of Debentures Series B35, the Group encumbered the Partnership's participation units. As at December 31, 2021 and close to the Reporting Date, 153,334,216participation units of the Partnership were pledged in favor of the holders of Debentures (Series B35).

The Company undertook that as long as the Debentures (Series B35) are not repaid in full, the Company will not create a floating charges 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 charge 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 and conditions set out in the deed of trust. As of December 31, 2021, the Company is in compliance with its obligation.

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 of December 31, 2021, the capital attributable to the Company's shareholders amounted to NIS 2,604 million.

As from the issuance date and up to the test date starting at the publication date of the annual financial statements as of 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 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 December 31, 2021, this ratio amounts to 33%.

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 of December 31, 2021 or 16% at the subsequent test dates, the rate of interest on the debentures will increase by 0.25%.

The deed of trust sets out restrictions on distribution (as this term is defined in the Companies Law). For further information, see Section 3.14.1(2) above.

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.

For further information on concise details of the defense mechanism set out in the deed of trust, see the Company's immediate report of June 28, 2021 (Ref. No. 2021-01-043978), which contains information presented here by way of reference.

(2) <u>As part of the deed of trust for Debentures (Series B36), the Company undertook the following:</u>

To secure the repayment of Debentures (Series B38), the Group encumbered participation units of the Partnership. As at December 31, 2021 and close to the Reporting Date, 70,323,488 participation units of NewMed Energy were pledged in favor of the holders of Debentures Series B36.

The Company undertook that as long as the Debentures (Series B36) are not repaid in full, the Company will not create a floating charges 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 B36); 2) when creating the floating lien in favor of the third party, creation of a floating charge in favor of the holders of Debentures (Series B36), 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 B36), all in accordance with the terms and conditions set out in the deed of trust. As of December 31, 2021, the Company is in compliance with its obligation.

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 of December 31, 2021, the capital attributable to the Company's shareholders amounted to NIS 2,604 million.

As from the issuance date and up to the test date starting at the publication date of the annual financial statements as of 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 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 December 31, 2021, this ratio amounts to 33%.

The deed of trust sets out restrictions on distribution (as this term is defined in the Companies Law). For further information, see Section 1.14.3(2) above.

The deed of trust sets out grounds for immediate repayment of Debentures (Series B36), 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.

For further information on concise details of the defense mechanism set out in the deed of trust Series B36, see the Company's immediate report of October 26, 2021 (Ref. No. 2021-01-159996), which contains information presented here by way of reference.

1.14.10. Liens

(A) For further information concerning liens registered in favor of debenture holders, see Sections 1.14.3(e) and 09(c) above.

(B) For further information concerning liens in favor of the Support Agreement, see Section 1.15.3(A) above.

(C) With regard to a lien on the rights to receive overriding royalties from the Leviathan Project, see Section 1.7.17(b) above.

(D) For further information regarding the liens provided by the Partnership and Ithaca and companies held by them, see the financing section included in the description of the operating segments in Sections 1.7.17 and 1.8.18 above.

1.14.11. Credit limits

Under the first amended deeds of trust, the Company undertook, among other things, that during the effective period it and all private companies under its control (other than NewMed Energy, Delek Israel companies and Ithaca companies), will not purchase assets; will not make investments of any kind whatsoever; will not take any credit, will not assume additional financial liabilities towards an existing financial creditor (this restriction does not apply to the purchase of assets in the ordinary course of business that will not exceed, for the entire effective period, an aggregate amount of NIS 20 million). The amended deeds set out a number of exceptions to the foregoing restrictions.

The Group is subject to the Proper Conduct of Banking Business Directives issued by the Supervisor of Banks in Israel, which include, inter alia, restrictions on the volume of loans which the Israeli banks may extend to a single borrower and the largest borrower group in the bank (as these terms are defined in the aforementioned directives).

1.14.12. Credit rating

(A) On December 30, 2021, Maalot S&P published an updated rating report upgrading the Company's rating to -BBB with a stable outlook; for further information, see the Company's immediate report of December 30, 2021 (Ref. No. 2021-15-116443), which contains information presented here by way of reference.

(B) On November 23, 2021, Midroog published an updated rating report for the debentures (Series B18, B19, B22, B31, B33 and B34) issued by the Company, under which the rating of the debentures was upgraded to Baa3.il with a stable outlook. For further information see the immediate reports issued by the Company on November 23, 2021 (Ref. No.: 2021-15-170172), where the information appearing in said report noted here by way of reference.

(C) On January 31, 2021, P&S Maalot announced that it was upgrading the rating for Debentures (Series B13, B22, B31, B33 and B34) issued by the Company from illCCC/developing to ilB with Developing outlook, due to the measures adopted by the Company to reduce the debt and improve its sources. For further information see the immediate reports issued by the Company on January 31, 2021 (Ref. No.: 2021-01-012097), where the information appearing in said report noted here by way of reference.

1.15. Loans and guarantees provided by the Company

1.15.1. Breakdown of material loans to the Company's subsidiaries and affiliates, as at December 31, 2021 (in NIS millions):

Lender	Borrower	Loan amounts at December 31, 2021 (in NIS million)
Delek Group	Delek Sea Maagan 2011 Ltd.	30
Delek Group	Ithaca	100

1.15.2. Breakdown of guarantees provided to the Company's subsidiaries and third parties, as at December 31, 2021 (in NIS millions):

Guarantor	Guaranteed	Guarantee amount at December 31, 2021 (in NIS million)
Guarantee for liabilities of subsidiaries and related companies		
Delek Group	Block 7	21
Delek Group	Yam Tethys assets	9
Delek Group	Municipality of Herzliya	1
Total		**31**

The Company provided an unlimited performance guarantee in favor of the Republic of Cyprus to secure compliance with all the Partnership's obligations under the PSC described in Section 1.7.5 above.

1.15.3. Breakdown of Seller's loans provided on date of sale of assets as, set out in Note 10E to the Financial Statements (in NIS millions):

Lender - the Seller	Borrower - the Acquirer	Loan amount at December 31, 2021
Delek Group	Centerbridge and Gallatin - The Phoenix transaction	189 *

* Net fair value of the loan

(A) **The Phoenix Loan** - on November 3, 2019, the Company completed a transaction for the sale of 32.5% of the share capital of The Phoenix to Belenus Lux S.a.r.l, a company controlled by the Centerbridge Foundation and Gallatin Point Capital Foundation (hereinafter - the "**Acquirer**"). The consideration for the transaction as at closing date amounted to NIS 1.57 billion (after adjustments for dividends distributed by The Phoenix by closing date). Of this, an amount of NIS 1.335 billion was received in cash on closing date and the balance, in the amount of NIS 235 million, was provided to the buyers as a loan by the Company (hereinafter - the "**Seller's Loan**").

Part of the consideration paid in cash to the Company by the buyer was financed by a first-degree loan of NIS 548 million that the Acquirer received from financial institutions (hereinafter - the "**Senior Loan**"). The balance of the Senior Loan principal as at December 31, 2021 amounts to NIS 496 million. For further details regarding the Seller's Loan and Senior Loan, see Section 1.15.3 to the 2020 Periodic Report.

For information concerning the accounting treatment, see Note 10E to the Company's Financial Statements.

1.16. Taxation

For a description of the tax laws applicable to the Company see Note 30 to the Company's Financial Statements and Note 8 to the Company's Separate Financial Information.

1.17. Restrictions and supervision of the corporation's operations

With the exception of the restrictions and supervision applicable to the Company and its subsidiaries under the various operating segments, as set out in each of the operating segments, as a public company the Company is subject to applicable restrictions under the Companies Law and

corresponding regulations, the Securities Law and regulations thereunder, and the competition laws. In addition, the Company is affected by the various directives concerning capital and debt raising on the financial market in Israel or for non-banking finance.

1.17.1. Market Concentration Law

In December 2013, the Market Concentration Law was published in the Official Gazette. The Market Concentration Law consists of three main chapters: (a) Aggregate concentration considerations when granting rights for use of national resources (essential infrastructures and privatized assets) to conglomerates (as they appear in a list of conglomerates to be published by the concentration reduction committee and the criteria set in the Law, according to which a significant non-financial corporation, as defined in the Market Concentration Law, will be considered to be a Concentrated Entity) (hereinafter - "**Concentrated Entities**" and "**List of Concentrated Entities**", respectively), and taking into account the promotion of competition when allocating rights in essential infrastructures and in sectors where the number of players among whom the rights are to be allocated is limited (hereinafter - "**Concentration Considerations When Allocating Rights**"); (b) Constraints on the control of multi-tiered pyramid structured conglomerates: limiting multi-tiered control to two tiers only and applying increased corporate governance regulations on multi-tiered conglomerates (hereinafter - "**Constraints on Control of Multi-tiered Companies**"); (c) separation of significant financial corporations and significant non-financial corporations as defined in the Concentration Law and under which, inter alia, a significant non-financial corporation is prohibited from controlling and holding the means of control in a significant financial corporation (hereinafter - "**Separation of Non-financial Corporations from Financial Corporations**").

The Market Concentration Law affects the Company and its subsidiaries directly and/or indirectly.

(A) <u>Concentration Considerations when Allocating Rights:</u>

This chapter deals with two key and separate aspects for allocation of rights by the State: aggregate concentration and sectoral competitiveness, and stipulates that when granting rights and setting the terms for those rights, the regulating agency authorized to grant such rights must take into account, in addition to all other legal matters regarding the allocation of rights, sectoral competitiveness and aggregate concentration considerations, as set out below.

The provisions of the Market Concentration Law concerning the allocation of rights could have implications on the Company's subsidiaries abilities to renew licenses as defined in the Market Concentration Law.

(B) <u>Aggregate concentration considerations when allocating rights:</u>

This part of the chapter provides that when the regulating agency allocates rights in an essential infrastructure domain (defined as a domain that makes use of an essential infrastructure or national resource or which provides an essential public service, as listed in an addendum to the Market Concentration Law (hereinafter - "**Essential Infrastructure Domain**")), to a Concentrated Entity, may not permit a Concentrated Entity to participate in the rights allocation process unless aggregate concentration considerations have been taken into account in consultation with the committee for reducing market concentration. It is noted that the duty to consult with the committee for reducing concentration applies to the regulator that allots the rights within its jurisdiction. With regard to this part, the term "**right**" is a license, contract or significant holding, as defined in the Market Concentration Law. Without derogating from the foregoing, the regulating agency may refrain from allocating rights to a Concentrated Entity also after finding that it is unlikely that real harm would be caused to the sector in which the rights are allocated or to the regulation of the sector due to non-allocation. This part also provides that the regulating agency must take into account considerations concerning avoidance of expanding the operations of the Concentrated Entity while noting the sectors of operations relating to the matter and considering the relationship between them.

According to the list of essential infrastructures, the Group's natural gas and oil segment are considered to be essential infrastructure domains.

It should be noted that extension or renewal of a rights period is subject to the same rules as for the allocation of rights and the provisions as described above will also be apply thereto if the two following conditions exist: (a) the holder of the rights to be extended has held these rights for a period exceeding 10 years, whether under a single allocation or accumulated under several allocations; (b) the allocation or previous extension of the rights were not assessed in accordance with the provisions of the Market Concentration Law during the 10 years preceding the requested extension.

The Company and all the companies under its control appear in the list of concentrated entities, the latest update of which was published on March 2, 2021 (and in the list of significant non-financial corporations).

In December 2021, the Company and the Partnership applied to the chairperson of the Market Concentration Committee to remove them from the list of concentrated entities. To the best of the Company's knowledge, as at the approval date of the report, the Company and companies under its control have not been removed from the said lists and are still included in them.

(C) Sector-specific competition considerations when allocating rights:

This part of the chapter provides that when allocating rights and prescribing the terms of such rights, the regulating agency (allocating the rights) must also take into account, in addition to all other matters to be considered under the law regarding allocation, advancement of sectoral competitiveness considerations. Under certain circumstances, taking into account the advancement of sectoral competitiveness considerations obligates consultation with the Competition Commissioner. The applicability of this part is broader than that of the previous part since it applies to all rights allocations (as defined above) in an essential infrastructure domain, and all licenses required in any sector that is not an essential infrastructure domain if, due to the nature of the right, its economic value or applicable laws, there are a limited number of players in the sector in which it is allocated. It should be noted that this part of the chapter also applies to organizations that are not a Concentrated Entity. It is also noted, that similar to the part regarding aggregate concentration, the rules that apply to the extension or renewal of a right are the same as those applicable for the allocation of a right, and consequently sectoral competitiveness considerations at the time of the extension/renewal of rights, must be taken into account if the two conditions as set out at the bottom of this Section (B) exist.(B)

Furthermore, allocation of certain rights in the sectors that appear in the list of rights published by the Competition Commissioner requires consultation with the Commissioner for Competition. It is noted that the duty to consult with the Competition Commissioner applies to the regulator that allots the rights within its jurisdiction.

These requirements could prevent the Company and companies under its control, from expanding their operations in such sectors and/or prevent them from entering such segments of operations.

(D) Constraints on the control of multi-tiered structured conglomerates

With regard to restrictions on the control of multi-tiered structured conglomerates that have a first-tier company, second-tier companies and "other tier" companies, as defined in the Market Concentration Law, the Company's subsidiaries do not hold "other tier" companies.

(E) Separation of non-financial corporations from financial corporations

The provisions of this chapter impose restrictions and conditions for separating significant financial corporations from significant non-financial corporations, as defined in the Market Concentration Law. On February 16, 2020 the Competition Authority announced that the separation between the significant non-financial corporations from the significant financial corporations was completed and this, among other things, following conclusion of the sale of the Company's holdings in The Phoenix on November 3, 2019.

1.18. Material agreements

For further information concerning material agreements under the various operating segments, see Sections 1.7.33 and 1.8.23.

The Staff Companies' material financing agreements are set out in Section 1.14 above.

From time to time, the Company engages in significant sales agreements or in sales agreements which, other than the business terms and conditions, also include provisions concerning representation, indemnification and transfer of information, which could become material if problems arise subsequent to completing such transactions.

1.19. Legal proceedings

For a description of the material legal proceedings to which the Group's companies are party, see Notes 12 and 23 to the Financial Statements.

1.20. Objectives and business strategy

1.20.1. General

The primary strategy of Delek Group is to focus its operations on the energy sector by further developing its core upstream energy assets, inter alia, by improving and exploiting the potential of the Group's assets in the East Mediterranean Sea and North Sea. At the same time, the Group is working to ensure its financial robustness and reduce its financial debt.

1.20.2. Foreign Energy Segment

As part of the strategy to focus on the energy sector and to invest in this sector in international markets, and after acquiring the full share capital of Ithaca in 2017, in November 2019 the Company completed, through Ithaca, the acquisition of 100% of the shares of Ithaca IOGL (formerly Chevron North Sea Limited) for an amount of USD 1.7 billion. The acquisition includes ten producing oil and gas fields in the UK North Sea region, as well as production, processing and storage facilities, and its operations are synergistic with Ithaca's operations and those of the entire Group. Following the acquisition, Ithaca's production capacity has more than quadrupled (average daily output in 2020 - 66,000 BOEPD) and the volume of reserves increased by almost threefold. For further information, see Section 1.8.1(d) above. The acquisition position Ithaca as one of the leading oil and gas production companies in the UK North Sea.

As part of its strategy, in September 2021 Ithaca finalized the acquisition of Mitsui 's share (13.3%) in the Alba reservoir, which is held by Ithaca and in which it is the actual operator, while subsequent to finalization of the acquisition, Ithaca holds 36.7% of the Alba reservoir. The transaction was made without consideration payment by Ithaca, in a manner that on one hand Ithaca undertook all of the obligations of the seller in connection with the reservoir, including the future decommissioning and abandonment expenses of the reservoir. The acquisition of the additional rights was intended to increase Ithaca's share of the production reserves in the reservoir in a way that Ithaca holds the lion's share of the rights in a reservoir that it operates.

Also as part of the strategy, on February 4, 2022 Ithaca finalized the acquisition of 100% of the share capital of Marubeni Oil and Gas (UK) Limited.

Marubeni operates in the energy segment in the North Sea region, while its main assets and liabilities include: (a) Rights in 41.03% of oil assets in the MonArb area that includes 9 producing oil fields and other oil assets; (b) cumulative tax losses in the amount of USD 1.6 billion as at December 31, 2020; (c) cash accrued in the acquired company as from January 1, 2021 until finalization of the acquisition; and (d) obligations to decommission the oil wells.

Subsequent to the balance sheet date, on January 4, 2022, the Marubeni transaction was finalized. Finalization of the transaction was intended, among other things, to increase the Group's existing asset base in the foreign energy segment and Ithaca's share of the oil and gas reserves in the North Sea.

In addition, on February 28, 2022, the Company announced that Ithaca engaged in an agreement with Sumitomo Corporation for the purchase the entire share capital (100%) of Summit Exploration and Production Limited. The Transaction is intended, among other things, to increase the Company's existing asset base in the foreign energy segment and Ithaca's share of oil and gas asset reserves in the North Sea, such that if the Transaction is completed, Ithaca's output will increase by 8 million barrels of P2 reserves.

Ithaca is focusing on streamlining measures to reduce production costs and improve its CapEx, and decommissioning costs. Ithaca is also promoting initiatives and transactions to increase the volume of reserves and resources, including by further acquisitions and is examining possible bolt-on mergers, all while maintaining financial robustness.

As at the approval date of the report, the Company is exploring several possible alternatives that can unlock the value of its holdings in Ithaca through an equity transaction in Ithaca - that the Company intends to execute in 2022 by way of listing Ithaca's shares on the TASE and/or London Stock Exchange; other possibilities under review are introducing a partner and/or executing a merger in different manners. It is hereby noted that as at date of approval of the Report, the feasibility of the foregoing possible transactions has not yet been clarified, and there is no certainty that any of these transactions could be executed during the coming year, if at all.

1.20.3. Energy in Israel Segment

The Group aspires to realize the economic potential of oil assets held by the Partnership, along with examining the acquisition of additional oil assets, and is exploring possibilities of using new technologies aimed at streamlining the natural gas production and utilization activity. The strategy is implemented mainly by promoting additional developments of the Leviathan reservoir and improving the production and operation of this reservoir, promoting the development of the Partnership's non-producing oil assets, primarily the Aphrodite reservoir, as well as pushing ahead with opportunities to utilize, own, develop and expand the natural gas pipeline infrastructure from the Partnership's oil assets to the domestic market and export markets, including in LNG form.

For this purpose, the Partnership operates, among other things, to increase the demand for natural gas by expanding and integrating the use of natural gas on the domestic market and by exporting natural gas to neighboring countries via pipelines and/or by liquefaction and/or compression of natural gas and marketing on global markets.

In addition, the Partnership is acting to realize the potential of additional gas and/or oil discoveries in its oil assets and/or in new licenses in Israel and/or overseas, if it engages in transactions for acquiring oil assets and/or if they are awarded to the Partnership. Concurrently, the Partnership explores business opportunities related to its operating segments in and outside Israel, including the possibility of entry as a partner in oil assets at various stages of exploration, development and production, and also examines technological developments related to its operating segments.

Furthermore, due to the changes in the energy industry, government policy in Israel and developed countries is to encourage switching to electricity generation using alternative energies, and the desire to promote social and environmental responsibility aspects (ESG) in the Partnership's operations, the Partnership examines possibilities for entry into the alternative energy and blue hydrogen segments, together with trapping and treating carbon emissions, in a way that could be a low carbon alternative for energy consumers.

1. Natural gas

The Group, through the Partnership, will continue to take measures to realize the economic potential of the oil assets held by the Partnership together with examining the acquisition of additional oil assets, including:

Leviathan Project

(A) Ensuring the supply of natural gas and condensate from the Leviathan reservoir according to agreements signed, and negotiating and entering into additional agreements for the supply of natural gas and condensate to various potential consumers in Israel and countries in the region, primarily Egypt, Jordan and the Palestinian Authority.

(B) Promoting various options for the development of Phase 1B of the Leviathan reservoir and increasing the production rate to a volume of 21 BCM per year, as set out in Section 1.7.4E(1)b above in order to make a final investment decision (FID). The development options may include developing and expanding the natural gas transmission infrastructure from the Leviathan reservoir to additional consumers in the target markets, primarily the Egyptian market, increasing the supply volume to the existing liquefaction facility in Egypt and promoting the possibility of liquefying natural gas through a floating liquefaction facility (FLNG) for marketing to global markets. For further information, see Section 7.11.2(I) above.

(C) Moving ahead with examining formulation of an exploration prospect for oil purposes in the Leviathan leases.

(B) Block 12 - Cyprus

Promotion of the development plan of the Aphrodite reservoir in Cyprus by the Partnership, as stated in Section 1.7.5(1) above, and marketing natural gas to Egypt for the global LNG market. In parallel, the Partnership is examining additional development alternatives, including the option of combining development of the Aphrodite reservoir with existing facilities and/or development plans for adjacent assets, including those of the Leviathan reservoir.

(C) Optimization of infrastructures

The Partnership is exploring, together with its partners in the different oil assets and other infrastructure owners, options for optimization of the existing infrastructure to the different projects, including joint transmission infrastructure to export natural gas to various target markets, among other things, for the purpose of reducing transmission costs and increasing

the feasibility of promoting different projects. For example, the Partnership is examining, together with its partners in the Leviathan and Aphrodite reservoirs, possibilities for the construction of a joint pipeline to transmit natural gas to consumers in Egypt. For information about the possibilities of transmitting the gas to Egypt under review by the Partnership, see Section 7.13.1(2) above.

Oil and gas exploration

The Partnership is working to continue exploration of natural gas and oil in its oil asset and identifying business opportunities in new oil assets, mainly in countries in and around the Mediterranean Basin. In this context, the Partnership is negotiating for entry into exploration licenses in Morocco.

Increasing the demand for natural gas

The Partnership is acting to increase demand for natural gas by promoting large-scale projects that utilize natural gas in the transport sector, to convert coal-fired power plants to natural gas and to encourage the use of natural gas for housing and in other industries.

2. Alternative energies

(A) Renewable energies - In July 2021, an amendment was published to the TASE bylaws allowing oil and gas partnerships, under certain conditions, to integrate in their operations investments in projects in the renewable energy segment. Accordingly, the Partnership is exploring options for entry into the renewable energy segment in the global market, using its knowledge regarding the regional market, including entry into joint ventures and/or acquisition of existing operations platforms.

(B) Production of "blue" hydrogen - Examination of the possibility of producing hydrogen from natural gas from the reservoirs in which the Partnership is a partner, together with carbon capture and storage. Hydrogen, which in principle does not emit pollutants, can be a low-carbon alternative to energy consumers and assist, among other things, in solving the climate crisis, and thus, interest in production thereof is increasing. The Partnership is reviewing various technologies aimed at optimizing natural gas production and use in a manner that will lead to a significant reduction in emissions associated with its production and incineration, as well as carbon sequestration. In this context, the Partnership is examining a possible blue hydrogen project in which natural gas is split into hydrogen and CO_2, while the CO_2 remaining in the splitting process is captured and stored in dedicated underground storage sites. It should be noted that hydrogen is a clean fuel that when burned in a dedicated incinerator emits only steam and is currently considered one of the main foundations for the existence and prosperity of a low-carbon economy.

Restructuring

On May 4, 2021, the general partner and the limited partner petitioned the Tel Aviv District Court, pursuant to Sections 350 and 351 of the Companies Law, for approval to convene a general meeting of unit holders to approve an arrangement mainly for exchanging all the issued participation units with ordinary shares of NewMed Energy Plc, a new company incorporated in the UK (hereinafter - "NewMed") and the limited partner of the Partnership, so that upon completion of the arrangement, the Partnership will become a private subsidiary partnership of NewMed, and NewMed's shares will be listed for trading in parallel on the TASE and the London Stock Exchange (hereinafter in this section - the "Petition" and the "Arrangement", respectively). In this regard, see the Partnership's immediate report regarding opening of the proceeding dated May 4, 2021, attached to which is a copy of the Petition filed with the court (Ref. No. 2021-01-077331) and the judgment handed by the court on December 27, 2021 (hereinafter in this section - the "Judgment"), as published by the Company on December 27, 2021 (Ref. No. 2021-01-185562), which contain information presented here by way of reference. The Judgment approved the Petition to convene a general meeting of unit holders to approve the arrangement, and it was also determined that the right of the Company, to overriding royalties from the Partnership will not require repeated approvals in the future. On February 23, 2022, an appeal on the Judgment was filed with the Supreme Court, together with an injunction to stay its execution by the holders of the participation units in the Partnership and on February 24, 2022, the Supreme Court handed its decision that the proceeding will be submitted for a hearing before a panel of 3 judges by the end of the first half of 2022. Approval and execution of the Arrangement is subject, among other things, to obtaining regulatory approvals in Israel and abroad, and is subject, among other things, to the approval by the general meeting of the participating unit holders, publication of prospectuses in Israel and the UK, and obtaining

approvals and completing additional actions, the feasibility of which is uncertain, and therefore there is no certainty that the Arrangement will be approved and/or executed.

It is clarified that the Company's goals and strategy - through the Partnership, as outlined above - are general intentions and goals, and therefore, there is no certainty that they will be realized, among other things, due to changes in market conditions, geopolitical changes, regulatory and tax law changes, changes in priorities due to the results of the operations in the Partnership's projects, as well as other developments, unforeseen events, the court decision in the appeal filed in connection with the restructuring, and the risk factors set out in Section 1.7.37 above. It is further clarified that realization of the above goals and strategy is subject to approvals of the competent institutions of the Partnership which have not yet been received, including the general meeting of unit holders, as well as approvals from third parties.

1.20.4. Unlocking the value of core assets and reinforcing financial position

Delek Group intends to continue to unlock the value of its core assets, NewMed Energy and Ithaca, and to reinforce its financial position and improve its liquidity, among other things, by promoting and concluding the equity process in Ithaca and increasing Ithaca's output and reserves, and completing the restructuring of NewMed Energy. The Company will also continue to work to reduce its financial debt and improve liquidity by disposing of non-core assets and an equity transaction in Ithaca, as stated above.

1.20.5. Contribution to the community in Israel and corporate social responsibility

The Company contributes, independently and through its subsidiaries, in a wide range of community activities. As a leading business group, the Group is committed to the principles of corporate responsibility in social and environmental aspects. The Group's community activities are managed primarily through the Delek Science, Education and Culture Foundation Ltd.

1.21. Financial information concerning geographic regions

As at December 31, 2021, the Group operates primarily in Israel and in the North Sea region. For further information, see Note 32 to the Financial Statements.

1.22. Discussion of risk factors

The Company operates in the energy sector in Israel and abroad, as well as in the fuels sector and other operating sectors, and therefore the principal risk factors of the Company stem from the sector-specific risks of each of its operating segments (as described in Sections 1.7 through 1.8 above). Aside from the risks described for each of those segments, below are details of additional key risks to which the Group companies are exposed:

1.22.1 The Covid-19 crisis: As described in Section 1.6.6 above, as at the approval date of the report, it is not possible to assess how the Covid-19 crisis will develop in the coming years, and the extent of its effect on the global and local economy, and the demand and price of natural gas and other energy products, in the long term.

Under these circumstances, the Covid-19 Crisis constitutes a global macro-economic risk creating uncertainty concerning future economic activity worldwide and in the local market, and concerning the expected impact on financial markets, interest rate margins, currency rates, and energy commodity prices; thus, the Covid-19 Crisis may adversely affect numerous industries, including the energy segment in Israel and abroad in which the Group operates. If the Covid-19 crisis intensifies, it could adversely and materially affect the Company and its major investees, their businesses, assets and financial stability.

Furthermore, the restrictions and measures that may be adopted by the Israeli government and other governments for coping with the pandemic, could have a material adverse effect on the Company's investees and their plans. For further information concerning the effect of the Covid-19 crisis on the company and the Group companies to date, see Section 1.6.6 above, and Note 1 to the Financial Statements. For the discussion on the Covid-19 crisis as a risk factor in the Company's operating segments, the Energy in Israel and Energy Abroad segment, see Sections 1.7.37(a) and 1.8.3(k) above.

1.22.2 Development of the Group's gas operations: The growth and success of the Group's gas operations is dependent on various factors, part of which are out of the Company's control, such as changes in

power production prices and/or the US CPI and/or other energy sources and/or global fuel prices; competition in gas supply; export restrictions; difficulties in obtaining finance; the security and political situation; dependence on the integrity of the national pipeline system; operating risks; exploration operation risks. Failure of any of these factors to materialize could have material adverse impact on the Group's operations. Also see the description of the risk factors in the energy sector in Israel in Section 1.7.37 above, and overseas in Section 1.8.26 above.

1.22.3 Oil and gas prices: The Group is materially affected by the oil and gas prices, which are set according to supply and demand and affected by economic and political parameters. Market prices of oil and gas are volatile and if prices fall significantly, the financial viability of the projects in which the Group has holdings may be adversely affected, which could cause the feasibility of investments to decrease and the oil and gas reserves to decline. Furthermore, the decline in energy prices could cause the Group and/or its partners in the oil assets to decide not to participate in the development plans. All these parameters may lead to a decrease in the Group's production volume in Israel and abroad. A significant decline in oil and gas prices could limit or reduce Ithaca's ability to withdraw its credit line. Ithaca conducts hedging transactions on oil and gas prices using various instruments and at hedging rates that vary between years.

1.22.4 Antitrust and increased competition: The Group is subject to competition restrictions that deal with, inter alia, restrictions on the scope of operations, prohibited practices and manner of pricing products and services. Under certain circumstances, the Group's companies are liable to be restricted in their operations because of the provisions of the Antitrust laws in various countries, in a way that may restrict the expansion of their operations or even require them to downsize and change their operations. The Partnership was declared a monopoly together with the other Tamar partners, and may be considered a monopoly in the natural gas supply segment in Israel also after the sale of its remaining rights in the Tamar and Dalit leases. It should be noted that a monopoly could have restrictions imposed on its operations, including prohibiting it from refusing, on unreasonable grounds, to supply natural gas and barring the exploitation of their market status in a manner that could reduce business competition or cause public harm. These restrictions could affect the ability to expand operations in Israel. Furthermore, in certain cases, the Group and its investees may be subject to approval of transactions by the Competition Commissioner in Israel, which is liable to restrict and even prevent such transactions being carried out, or to require acting in accordance with the terms and conditions contained in merger permits which are granted or may be granted by him. Failure to comply with competition laws or claims of failure to comply with these laws, could lead to civil and criminal sanctions and the imposition of various restrictions on the Group's operations. Competition laws are, from time to time, subject to changes and interpretation, including being made more stringent.

In this regard, the Market Concentration Law and its implications on the Group's structure should be noted, for details on this matter see Section 1.17.1 above.

1.22.5 Changes in foreign currency exchange rates The Company and its investees are affected by changes in foreign currency exchange rates, from several aspects: (a) from time to time the Company and some of its investees take loans denominated in foreign currencies, (primarily USD); (b) the exchange rates may affect the business results of some of the investees whose expenses and investments and/or that receive proceeds from sales in foreign currencies that are not their operating currency; (c) changes in exchange rates could affect the value of the Company's investments in the share capital of overseas companies and the foreign currency loans it received, and could also expose the Company to risks from translation of exchange rates, if the operating currencies of its subsidiaries, according to which they prepare their financial statements, are foreign currencies. The Company is specifically exposed to USD and GBP exchange rate changes, which impact the values in the Company's financial statements.

Though the Company and its investees try, from time to time, to neutralize such currency risks by using various financial instruments, it is uncertain that they will succeed, and they may even undertake under such transactions to make various payments for hedging.

1.22.6 Change in interest rates: The Group and/or its subsidiaries have loans at variable interest and therefore it is exposed to interest rate fluctuations, which could affect the Group's business results.

1.22.7 Economic slowdown and changes in the Group's markets: Changes in the markets in which it operates and an economic slowdown in those markets (particularly in the Israeli market) could have an adverse effect on the operations of the Company and its investees, as well as on the value and liquidity of their assets, the demand for their products and their revenues.

1.22.8 Capital markets: Deterioration in the global capital markets could adversely affect the Group's operations. Changes in the prices of marketable securities held by the Group expose it to risks

deriving, inter alia, from capital market volatility and will affect its ability to generate capital gains from the realization of its investments. Deterioration of the capital market in Israel and worldwide could have material impact on the operations of the Company and the foreign securities that it holds, also with regard to its ability to raise capital and debt.

1.22.9 Financing, credit restrictions and compliance with financial covenants: The Company and the Group companies have substantial financial liabilities, and a constant need for refinancing their operations when such liabilities reach repayment date. The amendment to the deeds of trust (Series B31 and B34) with the debenture holders in June 2020 and all amendments thereof, required the Group to comply with financial covenants and other undertakings which could restrict the operations of the Group and its investees (such as restrictions on investments, distribution of dividends, issuing of shares, providing collateral, mergers and disposal of assets), require the Group to set aside substantial portion of its cash flows to cover debts, limit its ability to borrow additional moneys and could lead to a demand for immediate repayment of the liabilities and exercise of collateral in the event that they are not met. The inability of the Group and/or its investees to obtain financing in the future by receiving loans or raising debt and capital, under good terms or non-receipt of dividends from investees, may lead to failure to comply with the terms of the amendment to the deed of trust and even lead to repayment of the debentures, prevent the expansion of the Group's operations, harm its current operations and lead to non-payment of dividends and even non-compliance with obligations to third parties. The availability and terms of financing sources are dependent on various factors, including the operating status, financial position, market conditions worldwide, capital market conditions and the ability and limitations of key financing bodies. In this regard, it is noted that regulatory changes that may in the future impose new restrictions, which could, among other things, adversely affect the Company's ability to raise further debt, at favorable terms. The Group is required to invest in the developing and production costs of its oil and gas reservoirs in the North Sea and in the acquisition of additional North Sea oil and gas assets. Its ability to finance the liabilities and to participate in future development plans (focusing on the development of Ithaca's North Sea reservoirs) and its general ability to continue developing additional assets depend mainly on (a) the cash flows generated from the producing assets; (b) access to credit facilities. Cash flow depends on a combination of several parameters, including the performance of the reservoirs and production costs, together with parameters that are not in the Group's control, such as the price of oil and gas and changes in the capital markets.

1.22.10 Security and political situation: Deterioration in the security and political situation (domestic and international) in Israel could adversely affect the Group's operations. Since a major part of the Group's operations are in Israel, it is exposed to the implications of armed conflicts, terror acts and political and security instability in Israel. Such conflicts or acts are liable to harm the operations of the Group and its investees in Israel in a number of ways, including cause an Israeli economic slowdown which could adversely impact the scope of its operations and results; declines in the Israeli capital market which could adversely impact the Group's capital and debt raising ability, realization of its holdings and the value of its marketable holdings; harm the Group's employees in Israel and cause direct damage to the Group's installations, including its gas exploration, production and conveyance facilities (Yam Tethys and Leviathan), which are situated relatively close to the Israeli border with the Gaza Strip, and the INGL pipeline installations, EMG pipeline and other infrastructures used for supplying gas to Egypt, may serve as a specific target for their purposes; and a decline in the presence of foreign investors and international companies will to invest in and engage with Israeli companies. Furthermore, the Group's ability to operate in various countries around the globe, particularly in Middle East countries, which do not recognize Israel is already, by nature, restrictive. Calls and actions to boycott Israeli companies (in enemy countries as well as in friendly countries) may also adversely affect the Group's operations in Israel and abroad. Similar to the foregoing, the Group is exposed to armed conflict, hostile acts and political instability in all the countries in which it operates.

1.22.11 Changes in legislation and standards: Special laws apply to significant parts of the Group's operations. The Group's financial results could be affected by changes in legislation and standards in various areas, including competition laws, laws governing the obligation to issue tenders, laws regulating areas such as fuel, gas, telecommunications, control on prices of products and services, excise rates, consumer protection, etc. Furthermore, changes in the policy of the authorities operating by virtue of these laws is liable to affect the Group. Similarly, some of the Group's companies operate abroad and they are liable to be affected by changes in legislation, excise, regulatory proceedings and policy in the countries in which they operate.

A change in accounting regulations could affect the business results of the Group and its investees, and the ability of those investees to distribute dividends.

1.22.12 Supervision of banks: The Group and some of its investees are subject to the Proper Conduct of Banking Business Directives issued by the Supervisor of Banks in Israel, which include, inter alia, restrictions on the volume of loans that Israeli banks may extend to a single borrower and the largest

borrower group in the bank (as these terms are defined in the aforementioned directives). In view of the foregoing restrictions, the scope of the loans assumed by the Group and its controlling shareholder may, under certain circumstances, impact the Group's ability to borrow additional sums from Israeli banks, and on its ability to make investments which require bank credit, or investments in companies which have taken large volumes of credit from certain Israeli banks.

1.22.13 Licenses and concessions: Some of the Company's investees operate on the basis of approvals, permits, licenses or concessions granted to them in Israel and abroad, in accordance with the law, by various authorities, inter alia the Ministry of National Infrastructures, Ministry of Telecommunications and Ministry of Transport. Failure to comply with the terms of these approvals, permits, licenses or concessions could lead to the imposition of sanctions, fines and even cancellation of the relevant approvals by the competent authorities. Such cancellation is liable to cause substantial harm to investees whose operations depend on these approvals. Some of these licenses and concessions have time limits and are renewable from time to time, all in accordance with the conditions and provision of the law and there is no certainty that these licenses or concessions will be renewed in the future. Non-renewal of such a license or concession may adversely impact the profitability of the company holding such a license or concession and consequently also on the Company's profitability. It is further noted that in view of the Market Concentration Law, it is possible that the applying company may encounter difficulties or may be unable to renew existing licenses or permits or may be able to renew them, subject to restrictions, and all as described in Section 1.17.1 above.

1.22.14 The environment: Some of the Company's investees, particularly those in the oil and fuels sector, are exposed to various requirements laid down by the authorities in the matter of environmental protection in Israel and abroad. The other costs and resources necessary for complying with the environmental requirements are large. A change in legislation in this area or a change in the policy of the supervisory authorities may impact the profitability of these companies, and consequently also the Company's profitability and failure to comply with them may expose the Company to various sanctions, legal proceedings and loss of licenses. For information concerning the motion for certification of a class action that was filed with respect to environmental protection regarding land in Acre, see Note 23A3(2) to the Financial Statements.

1.22.15 Raw materials, equipment and infrastructure: Some of the Company's investees are exposed to changes in the prices of raw materials, such as the fuel sector which is exposed to changes in fuel or crude prices. Changes in the prices of raw materials are liable to impact the profitability of investees and consequently also the Company's profitability. Moreover, the companies are dependent upon the proper conveyance and storage of the various raw materials (for example, proper operation of fuel pipelines and terminals) and access to various infrastructures. These may be affected as a result of various factors, such as labor strikes, security events, transport breakdowns, limited access to ports (particularly the two main ports in Israel) natural disasters, extreme climatic conditions, etc.

1.22.16 Legal proceedings: Lawsuits have been filed against the Company and some of its investees, including class actions, in substantial amounts. If these companies are found liable in these legal proceedings or in any possible future legal action brought against the Company or its investees, this could adversely impact the Company's business results. Furthermore, the large number of legal claims against Company officers leads to a significant increase in the tariffs for officers and directors insurance policies and difficulty in obtaining such policies. Failure to renew the directors' and senior officers' insurance policy or to renew on unsatisfactory terms may result in directors and senior officers resigning or refraining from serving in an existing position in the Company. In this context, it should be noted that on September 30, 2021, an appeal was filed with the Supreme Court against the District Court's judgment denying the motion of an electricity consumer to certify a class action alleging that the price of gas sold from the Tamar reservoir to IEC is unfair, exorbitant and constitutes an abuse of the status of the Tamar partners as a monopoly in the supply of natural gas in Israel. If the appeal is upheld in a final judgment against the Tamar partners, this could have a material adverse impact on the Partnership, which is responsible towards the buyers of its remaining rights in the Tamar project for obligations in connection with this appeal. For further information concerning legal proceedings, also see Note 23 to the Financial Statements with regard to contingent liabilities.

1.22.17 Salary and labor relations: Material changes in the minimum wage or other material changes in the labor laws are liable to affect the results of the Company's investees and consequently also the Group's business results. Furthermore, strikes and labor disputes in the investees are liable to adversely affect the business results of the Group.

1.22.18 Restrictions on disposal of holdings: The Company and some of its investees are bound by legal and contractual restrictions which could inhibit the ability of the Company and its investees to dispose of these leases.

1.22.19 Reliance on the results of investees and their cash flows: The Company's operating results depend, among other things, on the results of its investees. One of the Company's key investee is a public company trading on the TASE, operates independently, and its interests are not necessarily the same as the interests of the Company. The Company's sources of capital include profits distributed as dividends, management fees and repayments of loans to the Company by the investees. Changes in the profit distribution policy of the Company's investees, changes in profitability (including those brought about by changes in accounting principles) and in the cash flows of these companies, and restrictions on the distribution of profits are liable to affect the Company's cash flows and its business operations, and therefore it is not at all certain that they will be able to make such payments in time when it is in need of the cash flows. Furthermore, the Company's ability to raise foreign finance relies, inter alia, on the value of its holdings in the companies which are held by the Group.

1.22.20 Insurance: Notwithstanding the fact that various risks involved in their business operations are insured by the investees, they are unable to protect against the materialization of all risks, including the risks specified above, and existing insurances are also limited in aspects such as scope of insurance, insurance exceptions, timing of insurance payments, and the ability of the insurance companies to meet their liabilities. Accordingly, it is possible that there will be no insurance cover, full of partial, for the materialization of various risks, including risks to the Group's employees and its facilities.

1.22.21 Reputation and negative publicity: The reputation of the Group, its investees and part of their brands are attained over years and the success of the Group and its investees is dependent to some extent on its reputation. Negative publicity regarding the Group, its investees and their brands may adversely affect their reputation and the willingness of customers, suppliers, investors and others to engage with them. The Group's reputation is liable to be adversely affected, inter alia, by negative events connected with environmental and health issues, legal proceedings and claims pertaining to unethical and illegal conduct and various publicity, even if these are untrue.

1.22.22 Competition: The Group's investees are exposed to competition in the natural gas segment, which could lead to decreasing prices of the products or services sold in their operating segments as well as loss of market share, and could have a material adverse effect their revenues and profitability. For further information about competition in the energy segment in Israel, see Section 1.7.37(g) above, and in the energy segment overseas, see Section 1.8.26(g) above.

1.22.23 IT systems: The Group relies on information systems for its various activities. IT systems failures (including as a result of natural disasters, power cuts, unauthorized hacking of the information systems, acts of terror etc) and inability to repair them quickly is liable to harm the Group's businesses. Such failures could, inter alia, cause loss of business information, loss of customers and suppliers, harm to reputation and significant costs for restoring the information systems.

1.22.24 Failure to comply with the undertakings of third parties engaged with the Group: Failure to comply with undertakings of parties with which the Group is engaged or their failure to pay can expose the Group to losses.

1.22.25 Impairment of securities: The Company is exposed to price volatility of the marketable securities that it holds. Among other things, as lump in capital markets abroad and in Israel, decrease in the operating results of companies in which the Company holds shares and a drop in oil prices could have adverse effect on the prices of the marketable securities held by the Group and affect the financial and accounting results of the holdings in these securities.

1.22.26 Breakdown of the Company's assessment of the types of risk factors and the degree of their impact on the Company's foregoing risk factors:

	Impact of risk factor		
	Major	**Moderate**	**Minor**
Macro risks			
The Covid-19 crisis	X		
Changes in foreign currency exchange rates	X		
Interest rate fluctuations		X	
Economic slowdown and changes in the markets in which the Group operates	X		
Capital markets	X		
Security and political situation		X	
Changes in legislation and standards	X		
Supervision of Banks			X
Competition		X	
Changes in values of securities		X	
Sector-specific risks			
Financing, credit restrictions and compliance with financial covenants	X		
Environmental protection issues		X	
Raw materials, equipment and infrastructure			X
Company-specific risks			
Licenses and concessions		X	
Development of the Group's gas operations	X		
Gas and oil prices	X		
Legal proceedings	X		
Salary and labor relations			X
Antitrust and increased competition		X	
Restrictions on disposal of holdings		X	
Reliance on the results of investees and their cash flows	X		
Loans and guarantees to investees and related companies		X	
Insurance	X		
Reputation and negative publicity			X
IT systems and cyber risks		X	
Failure to comply with the undertakings of the parties engaged with the Group		X	

The information relating to risk factors and their effect on the Company is forward-looking information as defined in the Securities Law. This information relies, inter alia, on the Company's assessments based on past experience and familiarity with the relevant markets in its segments of operation and information regarding the relevant regulatory developments relating to the Company's operations. The Company is liable to be exposed in the future to other risk factors and the effect of each risk factor, if it materializes, could be different to the Company's assessment. As noted, forward-looking information is based on information available to the Company on reporting date. The actual results could be materially different from the results estimated or implied from this information.

Chapter

B

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

March 29, 2022

Delek Group Ltd.

Board of Directors' Report on the State of the Company's Affairs
For the year ended December 31, 2021

The Board of Directors of the Delek Group Ltd. (hereinafter - the “Company" and/or the “Group"), hereby presents the Company's Board of Directors' Report for the year ended December 31, 2021.

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

1. Description of the Company and its business environment

The Company operates mainly through investees engaged in oil and gas exploration and production in Israel and abroad. In addition, the Company holds 25% of Delek Israel and Delek Israel Properties, which operate in the gas station, convenience store and real estate segment.

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, by the value of its holdings, by the condition of the financial market in Israel and abroad, by oil and natural gas prices, and by the Group's investments.

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 NewMed Energy - Limited Partnership (formerly - Delek Drilling Limited Partnership, hereinafter – "NewMed Energy" or the "Partnership") in the energy segment, and engages mainly in the exploration, development, production and marketing of natural gas, condensate and oil in Israel and Cyprus, and in promotion of different natural gas-based projects in order to increase the volume of sales of natural gas produced by the Partnership. In parallel, the Partnership examines various business opportunities with similar characteristics to the existing projects, as well as possibilities for entry into the renewable energy and blue hydrogen segments, which could be a low carbon alternative for energy consumers.
- 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 (hereinafter - the "Companies Law") and summon a general meeting of the holders of participation units issued by the trustee (hereinafter - 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 (hereinafter in this section - "NewMed"), incorporated in the UK, which will hold the entire rights of the trustee and the general partner in the Partnership (100%). It is clarified that, as of the approval date of the financial statements, there is no certainty as to the Arrangement's approval date, its feasibility and whether all of the approvals required for its implementation will be obtained. For more information, see Note 10G to the Consolidated Financial Statements.
- As at the approval date of the Financial Statements, the Leviathan Partners are examining various alternatives for the development of Phase 1B of the Leviathan reservoir and increasing the production rate to 21 BCM per year, with the aim of making a final investment decision (FID). The development possibilities may include developing and expanding the natural gas flow infrastructure from the Leviathan reservoir to other consumers in the target markets, primarily to the Egyptian market, supply to the liquefaction facilities in Egypt, and advancing the option of liquefaction of natural gas through a floating liquefied natural gas (FLNG) facility for marketing to global markets.
- In September 2021, the Partnership signed an agreement for the sale of the balance of its rights at a rate of 22% in the Tamar project to Tamar Investment 1 RSC Limited and Tamar Investment 2 RSC Limited. On December 9, 2021, the transaction was finalized; in return for the sold assets, the Partnership received USD 965 million. For more information, see Note 12C(1) to the Consolidated Financial Statements.
- In 2021, the Partnership announced a profit distribution of USD 286 million (the Group's share is approximately USD 155 million (approximately NIS 480 million)). Of this amount, NIS 345 million was received by the Group during the reporting year and the balance subsequent to the balance sheet date.

Oil and gas operations in the North Sea

- The Group's operations in this segment are carried out through Ithaca Energy Ltd. (hereinafter - "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. The second phase 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, is expected to begin in 2022.
- 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 its operator. Following the results of the various tests conducted in the drilling site during September 2021, the Company is satisfied about the existence of oil and natural gas in the drilling site. According to the initial assessments by Ithaca, the quantity of oil and natural gas discovered at the drilling site justifies estimating the total quantity of petroleum resources in the oil asset, as well as carrying out an assessment and estimation of the amounts of oil and natural gas that can be

extracted in an economically viable manner. Due to the above, the Fotla drilling constitutes an oil and natural gas discovery.

- In November 2021, the operator of the Jade South oil asset - 19.93% of which is held by Ithaca, updated that it had discovered significant indications of petroleum in an exploration drilling carried out in the reservoir. After an analysis of the results, the drilling was declared a gas discovery.

- On September 17, 2021, Ithaca entered into an agreement to increase the rights in the Alba reservoir by purchasing further 13.3% in the reservoir, such that subsequent to the completion of the transaction Ithaca, which serves as the reservoir's operator, shall hold 36.7% in the reservoir. The transaction was completed in December 2021. For more information, see Note 12R(6) to the Consolidated Financial Statements.

- In November 2021, Ithaca entered into agreement for the purchase of the entire share capital of Marubeni Oil and Gas (U.K.) (Limited), which operates in the field of energy in the North Sea area; Ithaca owns, among other things, rights to 41.3% of oil assets in the MonArb area (which includes 9 producing oil fields). The non-contingent consideration set forth in the acquisition agreement is USD 140 million, of which USD 70 million is deferred consideration, payable in 2025. Ithaca has no obligation in connection with the execution of the transaction, excluding the obligations to decommission the production wells, as is the accepted practice. Subsequent to the balance sheet date, on February 4, 2022, the transaction was completed. According to the NSAI report published by the Company, on December 31, 2021, Marubeni has Proved + Probable reserves (2P) in the amount of approximately 23.4 million BOE oil, whereas cash flow of said reserves, discounted at 10%, amounts to USD 404.6 million (see sensitivity analyses in the report). In addition, to Ithaca's best knowledge, Marubeni has a tax loss carryforward of USD 1.6 billion, as at December 31, 2020, with the tax rate applicable to oil companies in Britain being 30%-40%.

  Finalization of the transaction was intended, among other things, to increase the Group's existing asset base in the foreign energy segment and Ithaca's share of the oil and gas reserves in the North Sea. As required, the Company began to calculate the allocation of the consideration for the net assets acquired.

  For more information, see Note 10F(5) to the Financial Statements

- Subsequent to the balance sheet date, in February 2022, Ithaca signed an agreement with Sumitomo Corporation for the acquisition of 100% of the share capital of Summit Exploration and Production Limited for USD 148 million. The Acquired Company owns producing gas and oil assets. The completion of the Transaction depends, among other things, on fulfillment of the conditions precedent set in the Acquisition Agreement.

- In 2021, following the recovery in oil and gas prices, the Group reversed most of the provision for impairment of the oil and gas assets in the North Sea region, which was recorded in 2020. In 2021, total revenue from cancellation of the provision as stated above (mainly in respect of GSA reservoirs) amounted to USD 277 million (NIS 894 million) before the tax effect (USD 166 million (NIS 536 million) after the tax effect). For further information, see Note 12S(9) to the Consolidated Financial Statements.

- In addition, on December 31, 2021, the Group assessed, through an outside appraiser, the fair value of its entire investment in Ithaca, as part of its periodic assessment of the value of goodwill attributed to Ithaca. According to said valuation, the Group's investment in Ithaca was estimated, as at December 31, 2021, at USD 3.1 billion (as at December 31, 2020 - USD 1.9 million), compared to its carrying amount, which is USD 991 million. It should be noted that the valuation did not take into account the Marubeni transaction, which was completed subsequent to the balance sheet date

  For further information, see Note 12S(9) to the Consolidated Financial Statements, as well as the valuation attached to the periodic report.

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

- 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 (hereinafter - the "RBL Facility") amounting to USD 1.225 billion, repayable in 2026, as well as the issuance on July 23, 2021 of a debenture series amounting to USD 625 million, repayable in 2026 (hereinafter - the "Debenture Series"). The blended interest rate of the total financing (the RBL Facility, assuming full utilization of the facility for withdrawal and excluding the guarantee and the addition of the debentures) is 5.2%. Shortly after completion of the refinancing, Ithaca repaid the Company a total of USD 250 million on account of the shareholder 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 outstanding balance of the RBL Facility as at December 31, 2021 was USD 350 million (excluding letters of commitment granted to Ithaca by a bank, as part of the facility).

- Following the completion of the refinancing, as stated above, the Company and Ithaca's management continue to promote an equity transaction in Ithaca, including by way of an IPO for Ithaca shares on the London Stock Exchange during 2022; in addition, Ithaca continues to explore opportunities in the field of oil and gas in the North Sea, which will increase its production capacity and number of reservoirs, maximizing the value of the Company's stake in Ithaca.

Other Operations

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

  The fair value of the loan was estimated as at December 31, 2021 at NIS 189 million, based on the valuation prepared by an external appraiser. In 2021, The Phoenix distributed a dividend to its shareholders. As a result of the dividend distribution, the buyers of The Phoenix repaid the Company an amount of NIS 53 million. Also, in November 2021, NIS 68 million was released from the financial deposits and marketable securities that the Company had pledged to back the senior loan taken by the Acquirers. For more information, see Note 10E to the Consolidated Financial Statements.

- Delek Israel

  In 2020, the Group sold 70% of Delek Israel's shares for a total consideration of NIS 525 million. Of this amount, NIS 75 million serves as deferred consideration, which the acquirer will pay to the Group by June 30, 2021, against 10% of Delek Israel's share capital. The acquirer 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 acquirer paid the Group the full amount of the deferred consideration, against the transfer of 10% of Delek Israel's share capital. The acquirer 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” line 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 10H to the financial statements.

  It should be noted that subsequent to balance sheet date, in ___, Delek Israel published a Draft Prospectus for the issuance of its shares on the Tel Aviv Stock Exchange. If the issuance will be completed, the Company’s interest in Delek Israel is expected to decrease according to the scope of the issuance (as of this report’s publication date, the Company’s stake in Delek Israel is 25%).

- Sale of land in Acre

  In October 2021, the transaction was completed; under the transaction, the Company sold 75% of the non-specific portions of the jointly-owned land in Acre, such that subsequent to completion of the transaction, the Buyer shall hold 75% of the rights in the land and the Group shall hold 25% of the rights in the land, and the parties will be partners in the real estate in accordance with the aforesaid joint ownership ratio. The consideration of the sold share totaled NIS 150 million. The transaction yielded the Company a NIS 49 million profit (post-tax). For more information, see Note 11C to the financial statements.

- Building in Herzliya

  During the reporting period, the Company, through an external appraiser, performed a valuation of a building it owns in Herzliya. During the reporting period, the building appreciated by approximately NIS 57 million. For more information, see Note 11A to the financial statements.

Issuance of shares and warrants

- In April 2021, the Company issued 63,400 shares of NIS 1 par value each in consideration for NIS 10 million.
- 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 expenses) totaled NIS 50 million.
- In October 2021 the Company issued 287,910 shares of NIS 1 par value each and 82,260 warrants (Series 14) to the public. Each option (Series 14) is exercisable for one ordinary share of the Company up to April 14, 2024 in consideration for an exercise premium (adjusted for dividend, benefit, and rights) in the amount of NIS 334 per option. The immediate consideration from the issuance (before issuance expenses) amounted to NIS 76 million.

- During the reporting period, 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, in November 2021, a total of 4,000 Options (Series 11) were exercised into 4,000 shares of NIS 1 par value in the Company for a consideration of NIS 0.6 million.
- Subsequent to balance sheet date and until close to date of approval of the financial statements 300 options (Series 12) were exercised for 300 shares of NIS 1 par value each of the Company for a consideration in a negligible amount.
- Following the foregoing exercises, the Company's issued and paid-up share capital amounts to 18,287,793 shares of NIS 1 par value each. Outstanding options: 498,758 Options (Series 11), 259,492 Options (Series 12), 47,266 Options (Series 13) and 82,260 Options (Series 14).

Debentures

- 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 issuance expenses). In November 2021, the Company issued - as part of a private placement - further NIS 66,493,000 par value in Series B35 Debentures by way of a series expansion, in consideration for NIS 71 million. The Debentures are not linked to the CPI and bear annual interest at rate of 7.2%. The principal of these debentures is payable in five annual payments starting December 31, 2023. To secure the repayment of Debentures (Series B35), the Group encumbered NewMed Energy participation units at a ratio of 1:1. The Company also committed to certain financial covenants. For more information, see Note 18D(1) to the Financial Statements and Appendix A to this report.
- In October 2021, the Company issued 360,000,000 par value in a new series of Debentures (Series B36), in consideration for NIS 360 million (NIS 355 million, net of issuance costs). In December 2021, the Company issued - as part of a private placement - further NIS 69,249,000 par value in Series B36 Debentures. In addition, in December 2021, the Company issued, by way of a private offering, an additional NIS 69,249,000 par value in Debentures B36 for a total consideration of NIS 70 million. Debentures are not linked to the CPI and bear annual interest at rate of 6.2%. The debenture principal will be repaid in five annual installments starting on April 30, 2024. To secure the repayment of Debentures (Series B36), the Group pledged NewMed Energy's participation units. The Company also committed to certain financial covenants. For more information, see Note 18D2 to the Consolidated Interim Financial Statements and Appendix A to this report.
- In November 2021, the amendment to trust deeds of Debentures (Series B18, B19, B31, B33 and B34) was approved, according to which the Company carried out early repayment of the principal and interest payments of the debentures due by March 31, 2022. On December 19, 2021, the Company brought forward the above payments in a total amount of NIS 1,645 million.

  Subsequent to the balance sheet date, in March 2022 another amendment to the deed of trust of debentures (Series B18, B19, B31 and B34) was approved, according to which the Company will prepay the entire principal, interest and linkage differences of debentures (Series B18 and B19), and will issue an exchange tender offer under which the holders of debentures (Series B31) will be offered to exchange them for debentures (Series B34).

  As a result, in March 2022 the Company prepaid debentures (Series B18 and B19) for a consideration of NIS 385 million.

  Furthermore, pursuant to the foregoing amendment to the deed of trust, in March 2022 the Company issued an exchange tender offer for exchange of up to and no more than half of the debentures (Series B31) with debentures (Series B34), which have a longer duration. 37% of the holders of debentures (Series B31, which hold NIS 832 million par value Debentures Series B31) accepted the exchange tender offer.

3. Results of Operations

A) The net profit attributable to the Company's shareholders totaled NIS 1,432 million in the reporting year, compared to a loss of NIS 1,817 million in 2020. The net profit attributable to the Company's shareholders in the fourth quarter of 2021 amounted to NIS 628 million, as compared to a profit of NIS 1,126 million in the same quarter last year.

Losses in the corresponding period last year 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 and was mostly reversed on fourth quarter of 2020 and in the reporting year.

In 2021, the net profit attributable to the Company's shareholders in the fourth quarter of 2021 amounted to NIS 628 million, as compared to a profit of NIS 1,126 million in the same quarter last year.

In the fourth quarter of 2021, the net earnings attributed to Company shareholders amounted to NIS 628 million compared to NIS 1,126 million in the same period last year. It should be noted that in the fourth quarter of 2020, the net earnings included non-recurring income for reversal of the impairment recognized in respect of the oil and gas assets earlier in 2020 in an amount of USD 270 million post-tax (NIS 868 million), compared to reversal of impairment of only USD 17 million post-tax (NIS 53 million) included in the fourth quarter of 2021.

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

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	2021	Q1 2020	Q2 2020	Q3 2020	Q4 2020	2020 *)
Oil and gas exploration and production in and around Israel 1)	166	159	157	131	613	136	11	158	21	326
Oil and gas exploration and production in the North Sea 2)	141	18	83	594	836	37	102	55	181	375
Contribution of continuing operations before discontinued operations and capital and other gains	**307**	**177**	**240**	**725**	**1,449**	**173**	**113**	**213**	**202**	**701**
Reversal of impairment (impairment) of gas and oil assets, goodwill, and others in gas and oil operations 3)	-	212	(16)	(3)	193	(2,358)	(220)	(24)	895	(1,707)
Finance, tax, and other income (expenses) 4)	(28)	(87)	(1)	(94)	(210)	(581)	(219)	(40)	29	(811)
Net profit (loss) attributable to Company shareholders	**279**	**302**	**223**	**628**	**1,432**	**(2,766)**	**(326)**	**149**	**1,126**	**(1,817)**

*) Adjusted retrospectively, see Note 10H1 to the 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 a loss recognized in the income statement from adjustment of the investment balance in Tamar Petroleum to the fair value in the corresponding period last year, and an update to the liability for disposal of Yam Tethys included under the "Finance, tax, and other income (expenses)" line item.

2) Excluding losses and gains for recording (derecognizing) an impairment for oil and gas assets in the North Sea region. Furthermore, in the reporting year excluding non-recurring loss incurred by Ithaca as a result of refinancing. These items were included in the finance, tax and other income (expenses) item.

3) During the reporting period - including a loss in respect of non-recurring expenses arising from Ithaca due to the refinancing in the amount of USD 36 million, net of tax (approximately NIS 108 million), gain from cancellation of impairment provision in the amount of USD 166 million (approximately NIS 536 million), mainly in respect of GSA, and on the other hand a NIS 208 million loss from PPA as part of the sale of the Tamar reservoir, and a NIS 37 million loss in respect of revision of disposal liability in Yam Tethys. In the same period of last year, the line item includes losses on disposal of the investment in Cohen Development, to the amount of NIS 235 million, post-tax, and an impairment loss on oil and gas assets in the North Sea of NIS 1,506 million.

4) In the reporting period, the line item includes NIS 86 million in gains on changes in the fair value of a seller's loan extended to The Phoenix's buyers (in the same period last year - a loss of NIS 23 million); gain on appreciation of a building in Herzliya totaling NIS 57 million and gain on sale of a land plot in Acre totaling NIS 42 million. In the corresponding period last year, the item includes a NIS 194 million write-down of the securities portfolio. Furthermore, in 2020, the line item includes the operating results of the power plant operations (including a provision for impairment) to the amount of NIS 197 million.

   In addition, following the sale of Delek Israel, the line item includes the Group's share in the results of Delek Israel and Delek Israel Properties (Delek Israel's operating profit in the reporting period totalled NIS 53 million, and in 2020 - losses of NIS 123 million, respectively). In the reporting period, the line item includes NIS 10 million in gains on the exercise of a deferred consideration and options granted to Delek Israel's acquirers; 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 7.9 billion, as compared to NIS 6.7 billion in the same period last year, as detailed in the table below (NIS millions):

	2021	2020		10-12/2021	10-12/2020
Oil and gas exploration and production in and around Israel	3,231	2,667		725	685
Oil and gas asset development and production in the North Sea	4,736	4,052		1,536	946
Other segments including adjustments	6	(48)		-	3
Total revenues	**7,973**	**6,671**		**2,261**	**1,634**

See also Note 32 to the financial statements - Information Regarding Operating Segments.

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

	2021	2020		10-12/2021	10-12/2020
Oil and gas exploration and production in and around Israel	1,544	705		260	(232)
Oil and gas asset development and production in the North Sea	2,939	(734)		1,136	1,774
Other segments including adjustments	147	(65)		40	(2)
Total operating profit (loss)	**4,630**	**(94)**		**1,436**	**1,540**

See also Note 32 to the 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:

	2021	2020	10-12/2021	10-12/2020
Delek Israel	25	3	12	3
Delek Israel Properties	28	-	28	-
EMED	(15)	(26)	(3)	(13)
Others	6	13	6	3
Total	**44**	**(10)**	**43**	**(7)**

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

	2021	2020		10-12/2021	10-12/2020
Revenues	**7,973**	6,671		**2,261**	1,634
Cost of sales	**3,664**	3,536		**748**	807
Gross profit	**4,309**	**3,135**		**1,513**	**827**
General and administrative expenses	**144**	241		**37**	57
Group's share in profits (losses) of operating associates, net	**44**	(15)		**43**	(9)
Other income (expenses), net	**421**	(2,973)		**(83)**	779
Operating profit (loss)	**4,630**	**(94)**		**1,436**	**1,540**
Finance income	138	382		9	270
Finance expenses	(1,933)	(2,294)		(469)	(528)
Profit (loss) after finance expenses, net	**2,835**	**(2,006)**		**976**	**1,282**
Group's share in the earnings of associates, net	-	5		-	2
Profit (loss) before income tax	**2,835**	**(2,001)**		**976**	**1,284**
Income tax (tax benefit)	1,247	(406)		222	520
Profit (loss) from continuing operations	**1,588**	**(1,595)**		**754**	**764**
Profit (loss) from discontinued operations, net	**84**	**(158) *)**		**(9)**	**175 *)**
Net profit (loss)	**1,672**	**(1,753)**		**745**	**939**
Attributable to -					
Company shareholders	1,432	(1,817)		628	1,126
Non-controlling interests	240	64		117	(187)
	1,672	**(1,753)**		**745**	**939**

*) Adjusted retrospectively - See Note 10H(1) to the Financial Statements.

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

	2021	2020		10-12/2021	10-12/2020
Net profit (loss)	**1,672**	**(1,753) *)**		**745**	**939 *)**
Other comprehensive income (loss) from continuing operations (post-tax):					
Profit (loss) from investment in equity instruments measured at fair value through other comprehensive income	86	(101)		-	31
Reassessment following reclassification from PP&E to investment property	-	27		-	26
Transfer to profit or loss from adjustments from translation of overseas operations	-	28		-	-
Gain (loss) from cash flow hedges	**(1,426)**	645		**(45)**	(247)
Transfer to profit or loss from cash flow hedges	**472**	(570)		**247**	(72)
Adjustments from translation of overseas operations (*)	**(349)**	(594)		(357)	(699)
Other comprehensive income (loss) attributable to associates, net	-	(2)			-
Total other comprehensive income (loss) from continuing operations	**(1,217)**	**(567)**		**(155)**	**(961)**
Total comprehensive income (loss)	**455**	**(2,320)**		**590**	**(22)**
Attributable to:					
Company shareholders	**351**	**(2,091)**		**639**	**463**
Non-controlling interests	**104**	**(229)**		**(49)**	**(485)**
	455	**(2,320)**		**590**	**(22)**

*) Adjusted retrospectively - See Note 10H(1) to the Financial Statements.

(**) The Group has material investments in investee companies and an investee partnership whose functional currency is other than NIS (mainly USD). Thus, fluctuations in exchange rates materially affect the Group's other comprehensive income or loss and the equity attributable to Company's shareholders. In the reporting period, the USD lost 3% against the NIS, as compared to a decrease of 7% in the same period last year.

4. Financial Position

The Group's total assets as of December 31, 2021, amounted to NIS 31.4 billion, compared with NIS 34.4 billion as of December 31, 2020. The decrease in total assets is mainly due to the disposal of the Group's holdings in the Tamar Project

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

Cash and cash equivalents and short-term investments

As of December 31, 2021, the Group had cash and short-term investment balances of NIS 1.7 billion, consisting mainly of balances of NIS 0.3 billion in the Company and staff companies, and NIS 1.3 billion in NewMed Energy.

Current and non-current assets

The Group's total current assets (excluding cash and short-term investments), excluding held-for-sale assets, as of December 31, 2021, amounted to NIS 2.7 billion, as compared to NIS 2 billion as of December 31, 2020.

As of December 31, 2021, the Group's non-current assets totaled NIS 27.3 billion, compared to NIS 28.1 billion as of December 31, 2020.

Short- and long-term liabilities

Financial liabilities (to banks and others and to holders of convertible debentures), as of December 31, 2021, amounted to NIS 14.9 billion, as compared to NIS 18.3 billion as at December 31, 2020. The decrease is mainly due to the repayment of debentures in the amount of NIS 3 billion by NewMed Energy following the sale of the Tamar reservoir, as well as a result of a decrease in the Company's net separate (solo) debt in 2021, totaling NIS 1.1 billion.

Contingent claims

In their opinion of the financial statements, the Company's independent auditors draw attention to legal actions brought against Group companies. For details, see Note 23A to the 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 Report of the Board of Directors.

5. Sources of Finance and Liquidity

The net financial debt of the Company and the staff companies as of December 31, 2021:([1])

	NIS millions
Liabilities	
Debentures	4,249
Loan from subsidiary (*)	255
Bank and other loans	269
Other liabilities	236
Total liabilities	**5,009**
Assets	
Cash and deposits	310
Restricted deposits	95
Deposit in the debentures' escrow account	155
Loans (**)	312
Other payables	216
Treasury shares (***)	150
Investment in a financial asset	5
Total assets	**1,243**
Financial debt, net	**(3,766)**

(*) 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. (hereinafter - 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 further details please see Note 12K to the financial statements.

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

Borrower	Loan amount (NIS millions)
Loans to Ithaca (1)	100
Seller's loan - The Phoenix transaction	189
Others	23
Total	**312**

(1) During the reporting period, Ithaca repaid USD 250 million of the shareholder loan; for further details, see Note 10F(4) to the Financial Statements.

(***) As of December 31, 2021, and as of the Financial Statements' approval date, Delek Financial Investments (2012) Limited Partnership, a wholly-owned subsidiary partnership of the Delek Group, holds 586,422 shares of NIS 1 par value in the Delek Group.

As at December 31, 2021, the Company (separate) has a working capital deficit of NIS 168 million, mainly due to current maturities of debentures issued by the Company. It should be noted that the working capital of the Company and the Staff Companies amounts to a positive NIS 89 million as at December 31, 2021. The Group (consolidated) has a working capital deficit of NIS 861 million.

[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.

The Company's management presented to the Company's Board of Directors 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, including through an equity transaction (including by way of listing for trading, a merger, or introducing a pre-IPO investor to Ithaca and disposing of certain other assets).

The Company's Board of Directors, having reviewed the forecast sources and uses report presented by Management, under different scenarios, and after reviewing sensitivity analyses believes, based on past experience, the Company's proven ability to raise funds in recent years and the Company's assets value, ruled that the said working capital deficit does not indicate a liquidity issue for the Company.[2]

For more information, see also Note 1C to the financial statements.

[2] In view of the foregoing, as at Reporting Date there are no red lights, as defined in Regulation 10(B)(14) of the Reporting Regulations, and accordingly the Company did not include a projected cash flow.

6. Analysis of Operations by Operating 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 NewMed Energy.

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

	2021	2020		10-12/2021	10-12/2020
Revenues from gas sales net of royalties	3,231	2,667		725	685
Operating profit (adjusted for impairment and losses on disposal of oil and gas assets)	2,063	1,619		369	348
Company's share in loss on disposal of oil and gas assets and investment, post-tax	(40)	(235)		(40)	-
Impairment of oil and gas assets (100%)	(410)	(679)		-	(622)
EBITDA	2,659	2,238		504	522
Finance income (expenses), net	(598)	(576)		(179)	41
Net profit (loss) attributable to Group shareholders	**362**	**117**		**58**	**43**
Gas sales from Tamar, in BCM (*)(**)	**7.8**	**8.2**		**1.6**	**2.4**
Gas sales from Leviathan, in BCM (*)	**10.7**	**7.3**		**2.4**	**1.9**
Total Gas sales in BCM (*)	**18.5**	**15.5**		**4**	**4.3**

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

(**) The figures in the Tamar project are for the period until November 30, 2021.

The following table presents gas quantities (100%) sold in the reporting period, from the Leviathan Reservoir, by customer location:

2021 - (BCM)			
Israel	Jordan	Egypt	Total
4.5	2.7	3.4	10.7

2020 - (BCM)			
Israel	Jordan	Egypt	Total
3.5	1.9	1.9	7.3

Analysis of the Oil and Gas Exploration and Production in and around Israel

In the reporting period, oil and gas exploration and production in and around Israel yielded a profit of NIS 362 million, as compared to a net profit of NIS 117 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. On the other hand, in the reporting year, a loss for impairment and disposal of the Tamar reservoir asset of NIS 210 million (post-tax) was recorded (for further information, see Note 12C(1) to the Financial Statements) as well as an accounting provision for deferred taxes in respect of the tax regulations applicable to oil and gas partnerships (for further information, see Note 12R(3) to the Financial Statements). It is noted that in the corresponding period last year - a loss was recorded on disposal of the investment in Cohen Development, to the amount of NIS 235 million (post-tax).

In the third quarter of 2021, the operating results of oil and gas exploration in Israel amounted to a loss of NIS 58 million, compared with a profit of NIS 43 million in the corresponding quarter last year. The increase in profit is mainly due to sales in the Leviathan project as described above, which were partially offset by recording the loss from disposal of the Tamar reservoir in the fourth quarter of 2021 in the amount of NIS 40 million (post-tax).

Revenues from gas and oil sales, net of royalties

In the reporting period, revenues from oil and gas sales, net of royalties, totaled NIS 3,231 million, compared with NIS 2,667 million in the same period last year. The increase was mainly due to the increase in natural gas sold from the Leviathan Reservoir, from 7.3 BCM last year to 10.7 BCM in the reporting period.

In the third quarter of 2021, revenues from gas and oil sales net of royalties amounted to NIS 725 million, compared to NIS 685 million in the same quarter last year. The increase was mainly due to an increase in natural gas sold from the Leviathan Reservoir, from 1.9 BCM in the fourth quarter of 2020 to 2.4 BCM in the fourth quarter of 2021.

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

Operating profit in the reporting period amounted to NIS 2,063 million, compared to NIS 1,619 million in the same period last year.

In the fourth quarter of 2021, operating profit totaled NIS 369 million, as compared to NIS 348 million in the same quarter last year.

The increase in operating profit is due mainly to the increase in production from the Leviathan reservoir; on the other hand, there is an increase in gas production costs in the reporting period due mainly to the increase in natural gas sales to Egypt and the transmission costs thereof, maintenance and environmental costs, an increase in depreciation costs mainly due to the increase in the gas quantities produced form the Leviathan reservoir that were offset by a one-time depreciation of inventories in the corresponding period last year.

Finance income (expenses), net

In the reporting period, net finance expenses totaled NIS 598 million, as compared to net finance income of NIS 576 million in the same period last year. The increase in net financing expenses in the reporting period is due mainly to an update of revenues from revaluation of royalties and annual payments receivable from the Karish and Tanin leases of NIS 64 million compared to NIS 280 million in the same period last year, mainly due to the passing of time, an increase in the forecast electricity generation tariff that affected the natural gas prices and an increase in interest for discounting of annual payments receivable as well as amortization of issuing expenses of Tamar Bond debentures that were fully paid up due to completion of the sale of the Partnership's holdings in the Tamar project in December 2021.

In the fourth quarter of 2021, net finance expenses amounted to NIS 179 million, compared with net finance income of NIS 41 million in the corresponding quarter last year. The increase in net finance expenses compared to the same quarter last year is due mainly to an updated revaluation of royalties and annual payments from the Karish and Tanin leases in respect of which an income of NIS 6 million was recorded in the fourth quarter of 2021 compared to revenue of NIS 210 million in the same period last year.

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

	2021	2020		10-12/2021	10-12/2020
Net profit from NewMed Energy's financial statements	**1,317**	**1,256**		**671**	**476**
Indirect holdings (%)	54.7%	54.7%*)		54.7%	54.7%
Group's share	**720**	**702**		**367**	**260**
Adjustment of the Group's share in respect of deferred taxes recorded the Partnership	266	-		-	-
Income tax	(50)	(132)		5	(94)
Revenues from overriding royalties	43	32		14	6
Results of direct holdings in Yam Tethys (4.44%)	(9)	(4)		(9)	(1)
Amortization of excess costs (**)	(35)	(47)		(8)	(11)
Adjustments for the sale of Tamar***)	(524)	(329)		(300)	(94)
General and administrative expenses	(30)	(29)		(8)	(15)
Finance income (expenses), net	(19)	(76)		(3)	(8)
Contribution to net profit from oil and gas exploration and production operations	**362**	**117**		**58**	**43**

(*) In March 2020, the Company's indirect holdings in NewMed Energy were down to 54.7% (until March 2020, the ownership stake was 59.7%).

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

***) In 2021, the Company revised the value of assets attributable to the Tamar project according to the fair value deriving from signing of the sale agreement of the Tamar reservoir and recognition of a loss attributable to the Company's shareholders of NIS 170 million post-tax (NIS 224 million pre-tax). In the fourth quarter of 2021, the sale transaction was finalized, and the Company recognized a loss attributable to its shareholders of NIS 40 million post-tax.

For more information about oil and gas exploration and production in and around Israel, see Notes 10G, 12C through 12R, 14, and 243(1) to the financial statements and Part A of the Periodic Report - Description of the Company's Business.

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)	December 31, 2021	December 31, 2020
Cash and cash equivalents	45	1
Other current assets	411	244
Investments in oil and gas exploration and production	2,785	2,513
Other assets, net (mainly deferred taxes)	580	665
Goodwill	767	767
Total assets	**4,588**	**4,190**
Current liabilities (trade and other payables)	**998**	335
Bank loans, RBL, and debentures	955	1,187
Loan from the Delek Group	32	271
Other long-term liabilities (mainly in respect of an asset retirement obligation)	1,612	1,500
Equity attributable to Ithaca's shareholders	**991**	**897**
Total liabilities and equity	**4,588**	**4,190**

Income statement

(USD millions)	2021	2020		10-12/2021	10-12/2020
Revenues from oil and gas sales	1,470	1,176		486	285
Cost of sales (excluding depreciation and inventory movements)	(429)	(421)		(107)	(116)
Depreciation expenses	(404)	(346)		(117)	(79)
Change in oil and gas inventory	6	(2)		63	17
Gross profit	**643**	**407**		**325**	**107**
Reversal of impairment (impairment) of oil and gas assets and goodwill	277	(518)		28	452
Other expenses, net	(4)	(38)		7	(13)
Finance expenses, net	(240)	(221)		(51)	(48)
Profit (loss) before income tax	**676**	**(370)**		**309**	**498**
Tax benefit (tax expenses)	(276)	84		(98)	(174)
Net profit (loss) attributable to Ithaca's shareholders	**400**	**(286)**		**211**	**324**
Output in the reporting period (KBoe)	**21,395**	**24,250**		**5,616**	**5,596**
Average daily output (KBoed)	**56**	**66**		**61**	**61**

EBITDAX and adjustment to net profit

(USD millions)	2021	2020		10-12/2021	10-12/2020
Revenues, net (*)	**1,418**	**1,144**		**533**	**285**
Operating expenses	(371)	(389)		(90)	(98)
General, administrative, currency, and other expenses	(11)	(10)		(5)	11
EBITDAX	**1,036**	**745**		**438**	**198**
Non-recurring costs, in cash	-	(21)		-	(21)
Depreciation and amortization	(404)	(346)		(117)	(79)
Reversal of impairment (impairment) of oil and gas assets and goodwill	277	(518)		28	452
Other non-cash income (expenses)	10	3		7	3
Net finance expenses, excluding results of hedges	(243)	(233)		(47)	(55)
Tax benefit (tax expenses)	(276)	84		(98)	(174)
Net profit (loss) attributable to Ithaca's shareholders	**400**	**(286)**		**211**	**324**

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

Additional data concerning Ithaca's results

Revenues

Ithaca's revenues in the reporting period totaled USD 1,470 million, as compared to revenues of USD 1.176 million in the same period last year; the revenue composition was as follows:

Sales revenues (USD millions)	2021	2020		10-12/2021	10-12/2020
Oil	856	585		173	129
Natural gas	725	172		399	69
NGL (natural gas liquids)	52	36		21	10
Other income	33	10		10	7
Gains (losses) on hedging transactions	(196)	373		(117)	70
Total	**1,470**	**1,176**		**486**	**285**

Output in the reporting period totaled 20.6 mmbbl (56 mbbl/day, on average), as compared to 24.3 mmbbl (66 mbbl/day, on average) in the same period last year. It should be noted that, in the summer months of 2021, extensive maintenance work was carried out on the Forties transmission pipeline, which was shut down for several weeks, as well as maintenance work on a number of reservoirs, which was postponed from 2020 to 2021 following the Covid-19 pandemic. The maintenance work was due to the lowered production in the reporting period, as compared to the same period last year. The reduction was partially offset by output from the Vorlich field, which came online in November 2020. It should also be noted that in the first quarter of 2022, according to the data held by Ithaca at the date of publication of this report, the average daily output is expected to rise to 70 barrels per day.

During the reporting year, gas and oil prices increased. Average selling prices for oil went up to USD 70/bbl in the reporting period, from USD 44/bbl last year; gas selling prices went up to 119 pennies/therm, from 23 pennies/therm last year. However, the effect of these price increases on Ithaca's revenues was partially offset by Ithaca's hedges on gas and oil prices, undertaken by Ithaca as part of its risk management policy. The effect of these transactions on Ithaca's revenues

lowered revenues in the reporting year by USD 196 million, as compared to an increase of USD 373 million in revenues in the same period last year.

Cost of sales

In the reporting period, cost of sales (excluding depreciation expenses and inventory movements) totaled USD 429 million, as compared to USD 421 million in the same period last year. Average production costs totaled USD 18 per barrel in the reporting period, as compared to USD 16 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 404 million in the reporting period, as compared to USD 346 million in the same period last year per barrel depreciation costs were up in the reporting period, reaching USD 19/bbl, as compared to USD 14/bbl in the same period last year. The increase in per barrel depreciation costs is due to the reversal of impairment of assets in December 2020 and the first quarters of 2021.

Reversal of impairment on gas and oil assets

In 2021, in light of recovering oil and gas prices, the Group reversed most of the impairment it had recognized in 2020 on its oil and gas assets in the North Sea, to the amount of USD 227 million, before the tax effect (USD 136 million after the tax effect), mainly in connection with the GSA reservoirs. USD 28 million out of this amount before the tax effect (approximately USD 17 million after the tax effect) were reversed in the fourth quarter of 2021.

Hedges on oil and gas prices

As part of its risk management strategy, Ithaca hedges oil and gas prices, through put, swaps and collar transactions. As of December 31, 2021, Ithaca had open hedging transactions on oil prices amounting to 10.4 mmbbl, of which swap and put transactions amounted to 7 mmbbl at an average hedged price of 58 USD/barrel, and the remainder - in collar transactions at a minimum hedged price of 58 USD/barrel and a maximum hedged price of 80 USD/barrel. In addition, as of December 31, 2021, Ithaca had open hedging transactions on gas prices amounting to 313 MMBtu, of which swap and put transactions amounted to 240 MMBtu at an average hedged price of 60 pennies/therm, and the remainder - in collar transactions at a minimum hedged price of 60 pennies/therm and a maximum hedged price of 94 USD/barrel. The value of these hedges as of December 31, 2021 reflects a liability of USD 452 million (NIS 1,407 million). It should be noted that, as of December 31, 2021, Ithaca hedged over 60% of its expected output until the end of 2022 as well as over 30% of the expected output in 2023.

Finance expenses, net

In the reporting period, finance expenses totaled USD 240 million, as compared to USD 221 million in the same period last year. It should be noted that, during the reporting period, finance expenses include expenses in the amount of approximately USD 56 million recorded in connection with the refinancing in Ithaca.

For more information concerning Ithaca's operations, see Notes 10F, 12S, 14, and 23A(3)(1) to the financial statements and Part A of the Periodic Report - Description of the Company’s Business.

C) Additional operations

Delek Israel and Delek Properties

In the reporting period, Delek Israel and Delek Properties contributed a total of NIS 63 million to net profit attributable to the Company's shareholders (including gains from the exercise of part of the deferred consideration and options, as detailed in Chapter 2 above). For more information, see Note 10H1 to the Consolidated Financial Statements.

B. Market Risk Exposure and Management

1. 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 In NIS	GBP representative exchange rate	Known CPI - In points *)
December 30, 2021	3.110	4.203	102.49
December 31, 2020	3.215	4.392	100.09
Rate of change during the period	**%**	**%**	**%**
2021	(3.27)	(4.30)	2.40
2020	(6.97)	(3.69)	(0.60)
2019	(7.79)	(4.88)	0.30

*) Base index - 2014 average.

C. Aspects of Corporate Governance

1. Corporate responsibility and philanthropy

The Delek Group is committed to principles of corporate responsibility in both social and environmental aspects. The Group's community outreach activities are coordinated through the Delek Science, Education and Culture Foundation (PBC) (hereinafter - the “Delek Foundation"), a wholly-owned (100%) Group subsidiary.

The Delek Foundation promotes and supports the promotion of education, Jewish heritage), culture, social welfare, and science in Israel. This support is reflected in donations to institutions operating in these fields, and in scholarships awarded to students in academic institutions and in secondary schools. The Delek Foundation also donates to various charitable causes, mainly through organizations helping and supporting the less fortunate.

In 2020 and 2021, the Delek Foundation donated NIS 1.7 million and NIS 68 thousand, respectively. In 2021, donations were made to organizations dealing with education and welfare of disadvantaged groups.

2. Compliance plan

In November 2012, the Company adopted an internal securities compliance plan, based on the criteria issued by the Israel Securities Authority. This included the preparation and/or review of existing procedures, and appointment of an internal compliance officer and a compliance committee. In March 2016, the Company's Board of Directors approved an update to the internal compliance plan, based on an updated compliance survey conducted by the Company, and an update to the procedures based on legislative changes and the results of the said survey. In 2019, the Company conducted a new compliance survey to review and update its compliance plan.

In March 2022, the Company’s Board of Directors approved an update to the Company’s compliance plan, to procedures and to the Company’s Code of Ethics.

3. Directors with accounting and financial expertise and independent directors

A) The Company's Board of Directors has determined that there shall be a minimum of two directors having accounting and financial expertise, as the Board of Directors believes the above minimum number allows the Board of Directors to fulfill its duties by law and pursuant to the Company's constituent documents in all matters pertaining to examination of the Company's financial position and the preparation and approval of its financial statements. As of the financial statements' approval date, the Company has 6 directors, of which 2 have accounting and financial expertise.

Furthermore, according to Company procedure, the Company's auditors are invited to attend all Board of Directors meetings in which the financial statements are discussed, and the auditors are at the Board of Directors' service to provide any explanation and clarification required in connection with the financial statements.

B) The directors with accounting and financial expertise are: Ms. Ruth Dahan-Portnoy (external director) - on August 25, 2020, Ms. Ruth Dahan-Portnoy was appointed an external director in the Company, having accounting and financial expertise.

Mr. Udi Erez (ordinary director) - on June 29, 2020, Mr. Udi Erez was appointed as a Company director. Based on Mr. Udi Erez' declarations, the Company's Board of Directors has determined that he constitutes a director having accounting and financial expertise.

For information concerning their relevant experience and education, see Regulation 26 in Chapter D of the periodic report.

C) Independent directors - Mr. Roni Milo is serving as an independent director. However, it is noted that the Company has not adopted the "provisions on the percentage of independent directors" as defined in Section 219(e) of the Companies Law.

4. Disclosure concerning the Company's internal auditor

A) The internal auditor as of the reporting date

1) Name of internal auditor: Gana Gali
2) Start of tenure: January 1, 2016
3) Qualifications:

   CPA, BA in business administration with a major in accounting, and MA in public administration and internal auditing, CISA, CIA, CRMA, CRISC.
4) The internal auditor complied with the conditions specified in Sections 3(a) and 8 to the Internal Auditing Law, 1992 (hereinafter - the "**Internal Auditing Law**") and Section 146(b) to the Companies Law, 1999 (hereinafter - the "**Companies Law**").
5) The internal auditor is not a Company employee, but rather provides it with internal auditing services as an outside service provider. In addition, the internal auditor provides the Company services to review the effectiveness of internal controls over the Company's financial reporting (ISOX), based on controls defined by the Company. The internal auditor is a partner in Rosenblum Holtzman, CPAs.
6) The internal auditor does not perform any other function in the Company other than that of internal auditor.
7) The internal auditor also serves as internal auditor for NewMed Energy and the general partner in NewMed Energy (his tenure as internal auditor in these companies does not cause conflicts of interest with his duties as internal auditor for the Company).
8) The internal auditor is not an interested party in the Company, nor is he a relative of an interested party in the Company, nor is he the auditing accountant or any person acting on its behalf.
9) The internal auditor does not hold any securities issued by the Company or its related entities.

B) Method of appointment

Mr. Gana's appointment as internal auditor was approved by the Company's Board on November 26, 2015 following the recommendations of the Company's Audit Committee, after the latter found Mr. Gana to possess the necessary qualifications to perform his duties, among other things, in light of his expertise and vast experience in internal auditing, and after Mr. Gana declared that he meets all the qualification requirements required to perform his duties as internal auditor by law, and bearing in mind, among other things, the Company's profile, its size, and the scope and complexity of its operations.

C) Internal auditor's superior

The internal auditor reports directly to the chairman of the Company.

D) Work plan for the reporting year

The internal auditor in the Company follows an annual work-plan coordinated with the Chairman of the Board and the Company's CEO and with the Audit Committee's approval.

The work plan leaves the internal auditor room for discretion to deviate from the plan, subject to formal approval from the Audit Committee.

Considerations in determining the internal auditing work plan

The annual work plan was formulated, inter alia, based on the following: the risks underlying the Company's operations, previous experience, opportunities for streamlining and savings, regulation of Company operations, and review of the implementation of previous audit report recommendations.

The work plan is developed, among other things, based on a risk survey prepared by the internal auditor and which was approved by the Audit Committee on November 28, 2017. As part of the internal audit function's 2022 work plan, the risk survey for determining the audit targets shall be updated.

The work plan includes various regulatory matters which are examined every year, bearing in mind that the Company holds investees, and that its main investees employ separate internal auditors and maintain independent audit committees. The annual audit plan is proposed by the internal auditor. Special emphases are occasionally added by the Audit Committee.

Transactions listed under Section 270 of the Companies Law, which were carried out in the reporting year, are examined by the internal auditor as part of his annual work plan. Furthermore, the internal auditor reviews other material transactions as per the annual audit plan.

As the Company maintains holdings in investees, the audit plan is comprised of two main parts:

1) Audit of the Company's own operations (including, inter alia, compliance with procedures, cost control, management of Company funds, reporting procedures, statutory compliance, and control over execution of resolutions).

2) Ongoing monitoring of internal auditing in investees, as detailed below:

E) <u>Auditing of material investees</u>

Internal auditing includes ongoing monitoring of adequate and proper internal auditing activities in all of the Company's investees.

All material investees employ internal auditors (as in-house employees or through outsourcing). Audit reports are discussed by the audit committees and/or by the boards of directors of these corporations, which include directors also serving as Company officers.

F) <u>Scope of employment</u>

The annual number of hours worked by the Internal Auditor and other internal auditors outsourced or employed in-house by the Company and the subsidiaries amounted in 2021 to 2100 work hours.

The Company's Board of Directors believes that the internal auditor's work plan and the number of work hours allocated for its implementation, meet the Company's needs. The Company can expand the scope of internal auditing activities if necessary.

5. Independent Auditors' Fees

	2021		2020	
	Auditing and tax services	Other services	Auditing and tax services	Other services
	NIS thousands			
The Company and wholly owned staff companies				
Kost Forer Gabbay and Kasierer		300	1,893	-
Brightman Amagor Zohar & Co. (*)	**1,600**	-	-	-
Other consolidated companies				
NewMed Energy – Limited Partnership				
Kost Forer Gabbay and Kasierer, and Ziv Haft serve as joint independent auditors for NewMed Energy Limited Partnership	**2,009**	**2,435**	2,078	2,974
Somekh Chaikin	**-**	**-**	22	-
Ithaca Energy Inc.				
Deloitte UK	2,175	-	-	-
EY UK	126	609	2,952	-

(*) On May 12, 2021, a general meeting of the Company's shareholders decided to appoint Brightman Amagor Zohar & Co. as the independent auditors of the Company and staff companies, in place of Kost Forer Gabbay & Kasierer.

6. Disclosure on the financial statements' approval process

The Company's Board of Directors is the corporate organ charged with overall supervision and approval of the financial statements.

7. Classification of Negligible Transactions

On August 30, 2009, the Company's Board of Directors resolved to adopt guidelines and principles for classifying a transaction as a negligible transaction in keeping with the Securities Regulations (Periodic and Immediate Reports), 1970 (hereinafter - the "**Reporting Regulations**"), both as regards transactions with interested parties listed in the financial statements, and as regards controlling shareholder transactions.

The Company's Board of Directors has determined that a transaction will be deemed negligible if it meets all of the following conditions:

A) Its value does not exceed 0.1% of the Company's equity net of non-controlling interest, as stated in the Company's most recent annual financial statements.

B) It does not constitute an extraordinary transaction (as defined in the Companies Law).

C) The transaction is also qualitatively negligible.

D) In long-term transactions (e.g. - multi-year property leases), the negligibility of the transaction will be examined on an annual basis (for example - does the annual lease exceed the aforesaid amount).

E) In insurance transactions, the premium will be examined as representing the transaction's value, as opposed to the scope of the insurance coverage provided.

F) Each transaction will be examined individually, but the negligibility of related or contingent transactions will be examined in aggregate.

G) Where a question arises concerning the application of the above criteria, the Company will exercise judgment and will examine negligibility based on the aim of the reporting regulations and guidelines above.

On December 28, 2014, June 15, 2017, and May 29, 2019, the Company's Audit Committee decided to update the Company's negligible transactions procedure, and add the following:

Any transaction in which the Company signs joint agreements to receive consulting services from employees or third parties in various matters including, but without limitation: law, regulation, finance and/or investments, tax and media, will be considered negligible if it meets all the rules set forth in the Company's negligible transactions procedures, provided that expenses for the transaction do not exceed NIS 2 million, and the terms of the transaction for the Company are no different than its terms for the associate or the controlling shareholder, pro rata. For long-term transactions, compliance with negligible value will be tested on an annual basis (for each calendar year). For example, in a long-term contract, scope of employment will be measured using the annual consultancy fees/wages.

Each year, the Audit Committee will check that transactions specified in this report meet the above non-significance criteria.

D. Disclosure relating to the Company's financial reporting

1. Critical accounting estimates

a. For information about main accounting estimates, see Note 2B to the financial statements.

2. Events after the financial position statement date

For information on material events subsequent to the balance sheet date, see Chapter A to the Report of the Board of Directors.

E. Dedicated disclosure for debenture holders

1. Information on debentures issued by the Company as at December 31, 2021:

Series	Issue date (including expansions)	Par value Original	Par value balance as of Dec. 31, 2021	Nominal interest rate	Linkage	Carrying amount as of Dec. 31 2021	Accrued interest payable as at December 31, 2021	Repayment dates (principal/ interest)	Market cap as of December 31, 2021	Trustee
B18*	11/2009 6/2010 7/2011	1,062	177	6.1% From June 1, 2021 until December 30, 2021 - 6.35%	Israeli CPI	197	2	Interest payments on April 30 and October 31 and principal payments on October 31 in each of the years 2020-2022	206	Reznik Paz Nevo RPN Trusts 2007 Ltd., 14 Yad Harutzim St., Tel Aviv Tel: +972-3-6389200, Elad Sirkis
B19*	11/2010	560	140	4.65% From June 1, 2021 until December 30, 2021 - 4.90%	Israeli CPI	152	1	Interest payments on May 10 and November 10 and principal payments on November 10 in each of the years 2020-2022	157	Hermetic Capital Ltd. 113 Hayarkon St. Tel Aviv Tel: 03-5544553 - Tzuri Galili.
B31	2/2015 6/2015 10/2015 2/2017	3,276	2,208	Until the rating downgrade date (March 22, 2020) - 4.3% As from March 23, 2020 - interest rate of 5.3% As from June 1, 2021 – 5.55% As from December 30, 2021 – 5.3%	Non-linked	2,208	-	Interest payments on August 20 and February 20 and principal payments on February 20 in each of the years 2020-2025	2,205	Hermetic Trust (1975) Ltd. 113 Hayarkon St. Tel Aviv Tel: +972-3-5274867 - Dan Avnon
B34	2/2018	521	441	Until the rating downgrade (March 22, 2020) - 4.48% As from March 23, 2020 - 5.48% As from June 1, 2021 – 5.73% As from December 30, 2021 – 5.48%	Non-linked	441	3	Interest payments on June 30 and December 31 and principal payments on December 31 (except December 31, 2022) in each of the years 2020-2028	441	Hermetic Trust (1975) Ltd. 113 Hayarkon St. Tel Aviv Tel: +972-3-5274867 - Dan Avnon

Series	Issue date (including expansions)	Par value Original	Par value balance as of Dec. 31, 2021	Nominal interest rate	Linkage	Carrying amount as of Dec. 31 2021	Accrued interest payable as at December 31, 2021	Repayment dates (principal/ interest)	Market cap as of December 31, 2021	Trustee
B35	6/2021 7/2021 11/2021	837	837	7.2%	Non-linked	837	-	Interest payments on June 30 and December 31 and principal payments on December 31 in each of the years 2023-2027	905	Mishmeret - Trusts Services Company Ltd., 48 Menahem Begin St., Tel Aviv, Tel: +972-3-6374335/4, Atty. Rami Katzav, CPA.
B36	10/2021 12/2021	429	429	6.2%	Non-linked	429	5	Interest payments on April 30 and October 31 (starting April 30, 2022) and principal payments on April 30 in each of the years 2024-2028	443	Reznick Paz Nevo Trustee Company Ltd., 14 Yad Harutzim St., Tel Aviv Tel: +972-3-6389200, Michal Avtalion-Rishoni, Adv.

*) As at date of publication of the Report, Debentures (Series B18 and B19) have been redeemed in full by early repayment.

Information on debentures issued by the Company as at December 31, 2021:

2. For a rating report on the Company's Debentures (Series B13, B22, B31, B33, B34) (in this paragraph – the “Debentures”), published by S&P Maalot's on January 31, 2021, upgrading the Debentures' rating from ilCCC-Developing to ilB-Developing, see the Company’s immediate report dated January 31, 2021 (Ref. No. 2021-01-012097), included herein by way of reference.

3. According to a rating report for the debentures (Series B18, B19, B22, B31, B33, B34) issued by the Company (hereinafter in this paragraph - the “Debentures”), published by Midroog on November 23, 2021, the rating of the Debentures increased to Baa3.il with a stable outlook. For more information, see the Company’s immediate report dated November 23, 2021 (Ref. No. 2021-15-170172), the details of which are included herein by way of reference.

4. With respect to the Company’s rating report published by S&P Maalot on December 30, 2021, under which the Company rating was upgraded to BBB- with a stable outlook, see the Company’s immediate report of December 30, 2021 (Ref. No. 2021-15-116443), which contains information presented here by way of reference. Under the amendment to the deed of trust with the holders of debenture series B18, B19, B31 and B34, an additional 0.25% interest was added starting June 1, 2021, until such time as the Company’s rating was upgraded, i.e., December 30, 2021.

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 financial 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 December 31, 2021, the Company's shareholders' equity stands at NIS 2,604 million.

   - 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 asset 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 asset 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 asset ratio according to the Company's separate statements fall below 20% for two consecutive quarters. As of December 31, 2021, the said ratio stands at 33%.

   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 and conditions 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 vested 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, according to the which the Company must be rated at least (-BBB) (in order for the Company to meet this requirement, such a rating by one of the rating agencies is sufficient - there is no need for such rating by two rating agencies), was initially deferred 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 installments (25% each time),

on the following dates: September 15, 2021; October 15, 2021; November 15, 2021; and December 15, 2021. It should be noted that as of the date of approval of the financial statements, the Company deposited, in three installments, a total of approximately NIS 1.152 billion according to said dates, as prescribed by the amended deed.

In November 2021, a third amendment to the trust deeds was approved, according to which - in lieu of the fourth deposit scheduled for December 15, 2021 - the Company will bring forward its principal and interest repayments of debentures due by March 31, 2022, which will be paid on December 19, 2021. In addition, it was approved that upon early repayment, approximately 6% of the capital of the NewMed Energy Partnership will be released against the transfer of the financing raised for them (debentures (Series B36) in favor of early repayment. The Group also undertook to encumber its holdings in Delek Overriding Royalties on Leviathan Ltd. for the benefit of the holders of these series of debentures. As at December 31, 2021, the Company fulfilled all its commitments under the amendment.

- 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 executed said issues on the dates it undertook to do so, as aforesaid. 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 NIS 200 million (of which NIS 75 is subject to a case where the rating is not upgraded by that date). Since the debentures' rating was upgraded, no capital raising was required.

- Subsequent to the balance sheet date, in March 2022, the general meeting of debenture holders approved a fourth amendment to the Deeds of Trust of the old Debentures. Pursuant to the fourth amendment, on March 9, 2022, the Company prepaid the entire principal, interest, and linkage differences of Debentures (Series B18 and B19). The total amount paid by the Company for the said prepayment is NIS 385 million. In addition, further to the fourth amendment to the Deed of Trust, on March 7, 2022, the Company issued an exchange tender offer under which NIS 832,921,104 par value Debentures (Series B31) (which constitutes 37.72% of the series at that time) were exchanged for NIS 852,911,210 par value Debentures (Series B34), which has a longer duration.

2) In June to November 2021, the Company issued a new series of Debentures (Series B35), totaling NIS 837 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 floating charges 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 floating charge to such third party, the Company will create a floating charge 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 December 31, 2021, the Company is in compliance with its obligation.

   b. The Company undertook to comply with 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 December 31, 2021, the capital attributable to the Company's shareholders amounted to NIS 2,604 million.

      - As from the issuance date and up to the test date starting at the publication date of the annual financial statements as of 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 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 December 31, 2021, this ratio amounts to 33%.

      - 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 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 the terms are 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.

The debentures are secured by a Group lien on NewMed Energy's 153,334,217 participation units.

3) In October and December 2021, the Company issued a new debentures series, Debentures (Series B36), at a total amount of NIS 429 million. The deed of trust for debentures (Series B36) includes the following Company obligations:

A. As long as the Debentures (Series B36) are not repaid in full, the Company will not create a floating charges 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 B36); 2) when creating the floating lien in favor of the third party, creation of a floating charge in favor of the holders of Debentures (Series B36), 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 B36), all in accordance with the terms and conditions set out in the deed of trust. As of September 30, 2021, the Company is in compliance with its obligation.

B The Company undertook to comply with 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 December 31, 2021, the capital attributable to the Company's shareholders amounted to NIS 2,604 million.

- As from the issuance date and up to the test date starting at the publication date of the annual financial statements as of 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 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 December 31, 2021, this ratio amounts to 33%.

C. 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 the terms are 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 B36), 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. To secure the repayment of Debentures (Series B36), the Company will encumber 70,323,488 NewMed Energy participation units.

F. 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: March 29, 2022

Appendix A to the Board of Directors' Report

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

		2022	2023	2024	2025	2026	2027 onward	Total
Debentures (**)	**Principal**	349	922	986	986	254	750	4,247
	Interest	188	208	154	99	63	57	769
Loans from banks and others (*)	**Principal**	-	-	107	-	-	-	107
	Interest	11	9	1	-	-	-	21
Total		**548**	**1,139**	**1,248**	**1,085**	**317**	**807**	**5,144**

(*) Excluding a convertible liability.

Breakdown of principal and interest payments on the Company and the staff companies' debentures and bank and other loans as of the publication date of this report:

The following breakdown is subsequent to prepayment of Debentures (Series B18 and B19) and the exchange tender offer under which NIS 832,921,104 par value Debentures (Series B31) (which constitutes 37.72% of the series at that time) were exchanged for NIS 852,911,210 par value Debentures (Series B34), in accordance with the approval of Amendment 4 to the Deeds of Trust of the debenture holders (NIS millions)

The following schedule takes into account prepayment of debentures B18 and B19 and the exchange tender offer, in accordance with Amendment 4 of the deeds of trust of the debenture holders (NIS millions):

		2022	2023	2024	2025	2026	2027 onward	Total
Debentures (**)	**Principal**	**-**	770	834	834	379	1,101	**3,918**
	Interest	**194**	218	172	125	89	86	884
Loans from banks and others (*)	**Principal**	-	-	107	-	-	-	**107**
	Interest	11	9	1	-	-	-	**21**
Total		**205**	**997**	**1,114**	**959**	**468**	**1,187**	**4,930**

Appendix B to the Report of the Board of Directors

Following on Note 12L to the 2021 financial statements and following a tax ruling 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:

Statement of Financial Position (in USD thousand)

	December 31 2021	December 31 2020
Current assets		
Cash and cash equivalents	205	3
Short-term investments	3,907	326
Royalties and other receivables	1,527	1,328
Total current assets	5,639	1,657
Non-current assets		
Long-term investments	14,110	19,613
Loan to controlling shareholder	81,752	76,334
Assets in respect of ORRI	192,147	197,704
Deferred Taxes	1,333	888
Total non-current assets	289,342	294,539
	294,981	296,196
Current liabilities		
Other payables	1,615	877
Total current liabilities	1,615	877
Non-current liabilities		
Debentures	172,392	169,001
Total non-current assets	172,392	169,001
Equity		
Share capital	295	295
Share premium	127,275	127,275
Retained earnings	(6,596)	(1,252)
Total equity	120,974	126,318
	294,981	296,196

Statements of Comprehensive Income (in USD thousand)

	For the year end		
	Dec. 31, 2021	**Dec. 31, 2020**	**Dec. 31 2019*)**
Revenue from overriding royalties	11,361	1,335	-
General and administrative expenses	910	203	-
Depletion	5,557	712	-
Operating profit	4,894	420	-
finance expenses	(16,855)	(2,883)	-
finance income	6,144	1,067	
Loss before income tax	(5,817)	(1,396)	-
Income tax	473	144	-
Loss and total comprehensive loss	(5,344)	(1,252)	-

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

Statements of Changes in Equity (in USD thousand)

	Share capital	Share premium	Retained earnings	Total
Balance as at January 1, 2019	*	-	-	*
Total comprehensive income (loss)	-	-	-	-
Balance as at December 31, 2019	*	-	-	*

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

	Share capital	Share premium	Retained earnings	Total
Balance as at January 1, 2021	295	127,275	(1,252)	126,318
Total comprehensive income (loss) **	-	-	(5,344)	(5,344)
Overriding royalties				
Balance as at December 31, 2021	295	127,275	(6,596)	120,974

* Less 1 thousand dollars.

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

Statements of Cash Flows (in USD thousand)

	For the year ended		
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019*)
Cash Flows - Current Operations:			
Loss for the year	(5,344)	(1,252)	-
Adjustments for:			
Depletion and depreciation	8,861	1,252	-
Deferred Taxes	(445)	(888)	-
Increase in Long-term investments	(37)	-	-
Changes in assets and liabilities items:			
Increase in trade and other receivables	(199)	(1,328)	-
Increase in loan to controlling shareholder	(6,089)	-	-
Increase in trade and other payables	738	2,134	-
Net cash used for current operations	(2,515)	(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	671	3,703	-
Long-term deposit in bank deposits	5,540	(20,900)	-
Short-term deposit in bank deposits	(3,581)	(326)	-
Net cash deriving from (used for) investment activity	2,630	(168,375)	-
Cash Flows - Financing Activity:			
Bond offering (net of issue costs)	87	168,460	-
Net cash deriving from financing activity	87	168,460	-
Increase in cash and cash equivalents	202	3	-
Cash and cash equivalents balance at the beginning of the year	3	-	-
Cash and cash equivalents balance at the end of the year	205	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	13,489	2,328	-

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

Appendix C to the Report of the Board of Directors

Following is the condensed financial statements of Delek the Israel Fuel Corporation Ltd. and Delek Israel Properties (D.P.) Ltd., the holdings of the Company in which (25%) are pledged as of the report publication date in favor of the Company's debenture holders (Series B31 and B34).

Delek The Israel Fuel Corporation Ltd.

Consolidated Statements of Financial Position

	As at December 31	
	2021	2020
	In NIS million	
Current assets		
Cash and cash equivalents	57	29
Trade receivables	1,029	829
Other receivables	54	55
Taxes receivable	5	7
Inventory	147	105
	1,292	1,025
Assets held for disposal	-	840
	1,292	1,865
Non-current assets		
Long-term loans, deposits, and other debit balances	34	39
Right-of-use assets	1,274	861
Investments in and loans to associates	4	84
Investment property	22	33
Property, plant and equipment, net	417	644
Goodwill	15	16
Other intangible assets, net	6	7
Deferred taxes	33	42
	1,805	1,726
	3,097	3,591

	As at December 31	
	2021	2020
	In NIS million	
Current liabilities		
Credit from banks and others	226	705
Trade payables	423	277
Taxes payable	6	-
Current maturities for lease	151	116
Other payables	383	418
	1,189	1,516
Liabilities attributable to assets designated for disposal	-	504
	1,189	2,020
Non-current liabilities		
Lease liability	1,150	701
Loans from banks	178	152
Decrease in liabilities for employee benefits, net	7	8
Provisions and other liabilities	15	19
Deferred taxes	2	4
	1,352	884
Equity attributable to the Company's shareholders		
Share capital	216	216
Share premium	216	366
Retained earnings	83	64
Other capital reserves	40	40
	555	686
Non-controlling interests	1	1
Total capital	556	687
	3,097	3,591

Delek The Israel Fuel Corporation Ltd.

Consolidated Statements of Income

	For the year ended December 31		
	2021	2020	2019
	In NIS million (Other net earnings (loss) per share)		
Sales revenues	3,821	2,808	4,846
Cost of sales	3,084	2,251	4,162
Gross profit	737	557	684
Selling and operating expenses for gas stations	488	460	487
General and administrative expenses	70	81	63
Group's share in the earnings of associates, net	1	3	3
Other expenses, net	1	56	14
Operating profit (loss)	179	(37)	123
Finance income	6	7	25
Finance expenses	60	75	69
Group's share in the earnings of associates, net	-	-	(5)
Profit (loss) before taxes on income	125	(105)	74
Income tax (tax benefit)	31	(24)	12
Profit (loss) from continuing operations	94	(81)	62
Profit (loss) from discontinued operations	-	(233)	26
Net profit (loss)	94	(314)	88
Attributable to:			
Company shareholders	94	(314)	88
Non-controlling interests	-	-	-
	94	(314)	88
Net profit (loss) per share attributable to the Company's shareholders (in NIS):			
Net profit (loss) per share from continuing operations	8.28	(7.14)	5.46
Net profit (loss) per share from discontinued operations	-	(20.53)	2.29
Net profit (loss) per share	8.28	(27.67)	7.75

Delek Israel Properties (D.P.) Ltd.

Statements of Financial Position

	December 31 2021
	NIS thousands
Assets	
Current assets:	
Cash and cash equivalents	17,983
Pledged deposit	253
Short-term financial assets	74
Trade receivables	771
Other receivables	9,891
Related parties	9,603
Total current assets	**38,575**
Non-current assets:	
Investment property	948,645
Property, plant and equipment	565
Land inventory	80,933
Investments accounted for using the equity method	129,454
Other long-term receivables	1,266
Total non-current assets	**1,160,863**
Total assets	**1,199,438**
Liabilities and equity	
Current liabilities:	
Short-term credit from banks	438,466
Accounts payable	278
Other payables	18,422
Liability for levies and fees	7,100
Related parties	7,241
Total current liabilities	**471,507**
Non-current liabilities:	
Long-term credit from banks	59,536
Deferred credit for transaction with a company under the same control	44,165
Other long-term payables	573
Deferred taxes	26,481
Total non-current liabilities	**130,755**
Total liabilities	**602,262**
Equity:	
Share capital	11,349
Capital reserve for transactions with controlling shareholders	470,920
Accumulated earnings	114,907
Total equity	**597,176**
Total liabilities and equity	**1,199,438**

Delek Israel Properties (D.P.) Ltd.

Statement of Income

	For the period from April 1, 2021 to December 31 2021
	NIS thousands
Revenue from rent and other	32,841
Assets operating expenses	(624)
Gross profit	32,217
Appreciation of investment property	126,945
General and administrative expenses	(7,100)
Other expenses	(1,168)
Group's share in profits of equity-accounted companies	17,147
Operating profit	168,041
Finance expenses	(11,397)
Financing income	1,335
Finance expenses, net	(10,062)
Profit before taxes on income	157,979
Taxes on income	(30,982)
Net and comprehensive income	126,997

Delek Group Ltd.

Impairment Testing Under IAS 36

March 28, 2022

March 28, 2022

Delek Group Ltd
19 ABBA eBAN BLVD
P.O.B 2054
Herzliya 4612001
Israel

Valuation Services in Connection with the Impairment Testing of the Ithaca Energy Ltd under IAS 36

Dear Mr. Polikar,

Pursuant to your request, Kroll Advisory Ltd ("Kroll") have been engaged by Delek Group Ltd ("Delek") to provide valuation services relating to the impairment test analysis (the "Services") of Delek's investment in Ithaca Energy Limited ("Ithaca" or the "Company") for financial reporting purposes.

The objective of our analysis was to provide recommendations of the recoverable amount ("Recoverable Amount") of Delek's investment in Ithaca and certain specific oil fields of Ithaca as of December 31, 2021 (the "Valuation Date"). We understand the results of our analysis will be used solely for the purpose of assisting the Delek's management ("Management") in estimating the Recoverable Amount of Ithaca in accordance with International Accounting Standards 36: Impairment of Assets ("IAS 36").

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 it to the financial statements. The full details of the terms of our engagement are included in our engagement letter dated February 2, 2022.

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,

Kroll Advisory Ltd

Kroll Advisory Ltd
By: Mathias Schumacher
Managing Director

Contents

Section 01

Introduction

Introduction to Kroll

Kroll is a valuation and corporate finance advisor with a global presence, with more than 5,000 employees across more than 30 countries worldwide. Founded in 1932, Kroll provides advisory services to more than 7,500 clients, including nearly 50.0 percent of the S&P 500. We offer a variety of diverse services, including valuation advisory, tax services, mergers, and acquisitions advisory, and restructuring services among others. The Valuation Advisory Services team within Kroll comprises over 1,200 professionals and specializes in financial reporting advisory, including purchase price allocations, goodwill and intangible impairment testing, fresh start accounting and business valuations.

Scope of Services

Scope of Services – IAS 36

Kroll was retained by Delek to assist with the performance of certain procedures, as set out below, relating to the application of IAS 36: Impairment of Assets. The Services consisted solely of assisting Delek with performing the impairment test of its investment in Ithaca under IAS 36 for financial reporting purposes.

Ithaca acquired Chevron North Sea Limited ("CNSL") in November 2019, and the existing goodwill balance as of the Valuation Date largely results from this transaction. As part of our impairment testing analysis, we have estimated the Recoverable Amount, as defined below, of the investment in Ithaca to compare with the carrying amount ("Carrying Amount") to determine the potential risk of impairment. Our estimation of the Recoverable Amount of the investment in Ithaca reflects the operation of both the Ithaca and acquired CNSL assets. Further to our impairment testing of the investment in Ithaca, we have also assessed the Recoverable Amount(s) of other fields to assess possible impairment of individual fields.

Delek's acquisition of Ithaca

In October 2015, Delek acquired 19.9 percent of the equity of Ithaca. On February 6, 2017, Delek announced that it had signed an agreement with Ithaca to purchase the remaining shares of the Company, then representing 80.8 percent of the total equity, through its subsidiary DKL Investments Ltd. This decision was made in support of Delek's greater strategy to expand its international energy operations. Delek's intention at the time of the transaction was to continue Ithaca's core operations, focusing on the development of the GSA assets.

Ithaca's acquisition of CNSL

Ithaca, as an indirectly wholly owned subsidiary of Delek, acquired the shares of CNSL for USD 1.7 billion in November 2019. The deal included ten producing fields (4 operated and 6 non-operated by CNSL) in the UK North Sea. The deal established Delek as the second largest independent oil and gas producer in the UK North Sea behind Chrysaor. Delek will continue to operate four of the ten fields (namely – Alba, Alder, Captain and Erksine). The transaction officially closed on November 08, 2019.

Company Profile(s)

Delek Group Ltd

Delek Group is an independent exploration and production company focused on the development of reserves in the Levant Basin off the coast of Israel. In addition, Delek has international operations, with a focus on high-potential opportunities in the North Sea through Ithaca, as well as in North America. Delek's shares are traded on the Tel Aviv Stock Exchange (TASE: DLEKG) and are part of the TA 35 Index as stated on Delek Group's Company Website and S&P Capital IQ.

Ithaca Energy Ltd

Ithaca is an oil and gas operator with assets focused on the North Sea, with an asset base including both producing and exploratory oil and gas fields. Ithaca's primary focus is on the development of the Greater Stella Area ("GSA") licenses, located in the Central North Sea. Ithaca first became involved with the GSA assets in 2008, when it completed transactions with Shell, Esso, and Maersk to acquire an interest in the Stella and Harrier licenses.

The GSA assets are comprised of the Stella, Abigial, Harrier, Vorlich, and Courageous discoveries. These five fields are serviced from a central hub known as the FPF-1 floating production facility (the "FPF-1"). The FPF-1 was refurbished beginning in 2011 and work was completed in August 2016. Following the completion of FPF-1 updates, production began at the Stella field in February 2017. Ithaca currently operates the FPF-1 for extraction from six wells at the Stella field, with one well online at the Harrier field.

Chevron North Sea Limited

Chevron North Sea Limited produces crude oil and natural gas from the United Kingdom North Sea. The company was incorporated in 1981 and is based in Aberdeen, United Kingdom.

World Oil and Gas Market

2021 started with an economic revival sentiment as vaccine rollouts picked up speed globally. Price for crude oil was hovering around the $50/bbl mark at the start of the year. Commodity prices have witnessed an increase in 2021, crude included. This increase in price levels indicated that global demand for goods was outpacing the global supply. This has also added to the inflationary pressure.

The UK witnessed an energy-crisis like situation in 2021 with gas market prices reaching an all-time high of GBP 4.5- per therm, nine times higher than price levels in Q4 2020. The gas price spike was ignited by concerns over Russian gas exports to western Europe. As at December 2021, 25 energy suppliers had filed for bankruptcy in the UK, because of unprecedented increase in global gas prices which put financial pressure on these suppliers.

In the North Sea basin, operators have pushed the authorities to approve up to 18 new fossil fuel projects. The proposed projects along with extension of existing fields would need over GBP 20 billion in investments and would boost UK's production by approximately 2.5 billion barrels of oil equivalent ("boe"). While oil majors continue to re-work their strategies and gradually shift focus towards energy transition, some remain buoyant over hydrocarbons.

There persists an uncertainty around the full economic recovery as more contagious variants counter the effect of vaccine rollouts. However, the commodity space has witnessed a rebound in price and consumer confidence also seems to be increasing. Environmental groups continue to mount pressure on oil majors to reduce their carbon emissions whilst these majors continue to work towards reshaping their long-term strategies.

Subsequent Events

On February 24, 2022, Russian military launched an attack on Ukraine (population of c. 44 million), targeting cities and closing in on Ukraine's capital, Kyiv. This military act shook financial markets and the increased geopolitical tensions exacerbated high inflation and supply chain bottlenecks.

Western economies led by the US reacted by imposing curbs including an overseas asset freeze on the Russian central bank. US and UK agreed to impose a ban on Russian exports of crude oil. As a result, crude oil and natural gas prices have soared to their highest levels since 2008. Russia is the world's third largest oil producer and supplies about 40 per cent of Europe's gas supplies. Concerns that oil and gas flows could be disrupted after the military action saw the price surge almost 70 per cent during the same week.

Our analysis was conducted as of 31 December 2021, with a subsequent finalisation of this report. Our analysis and report did not incorporate the impact of these subsequent events on the business, economy, or valuations herein. Our analysis and valuation would likely have varied materially had such impact of the act been considered.

Definition of Recoverable Amount

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.

Under IAS 36, goodwill impairment is then tested by checking if the Recoverable Amount is greater than the Carrying Amount.

Section 02

Sources of Information and Procedures

Sources of Information

During our valuation analysis, we relied upon financial and other information, including prospective financial information obtained from Management and from various public, financial, and industry sources. Our conclusion is dependent on such information being complete and accurate in all material respects. However, as is customary in the business valuation profession, the scope of our work will not enable us to accept responsibility for the accuracy and completeness of such provided information.

The principal sources of information used in performing our valuation include:

Ithaca's Cashflow Valuation Model, including production and financial projections for the lifetime of each of Ithaca and CNSL's oil and gas fields;

Production profile provided by Management. These forecasts are based on the draft reserve report prepared by Netherland, Sewell & Associates Inc. ("NSAI");

- NSAI's draft report summarizing their findings and projections;
- Brent price forecast – 31.12.2021 prepared by Chen Herzog, Chief economist & Partner, BDO;
- Brent oil price forecast used by Management;
- Carrying Amount of Ithaca and certain fields;
- Publicly available financial statements and other information for comparable companies; and
- Other available information relevant to the valuation of the Subject Assets.

We also used selected third-party databases for financial information, including:

- Standard and Poor's Capital IQ database;
- Duff & Phelps 2021 Valuation Handbook: Guide to Cost of Capital;
- Bloomberg LP; and

In addition, we held meetings, in person or via telephone conference, with the following people:

- Tamir Polikar, CFO, Delek Group
- Gilad Myerson, CEO, DKL Investments
- David Crawford, CFO, Ithaca Energy; and
- Manik Gupta, Corporate Finance Manager, Ithaca Energy
- Lauren Malcolm, Corporate Finance Analyst, Ithaca Energy

Procedures

In general, our procedures have included, but were not limited to the following:

- Analysis of general market data, including economic, governmental, and environmental forces which could affect the Recoverable Amount of the investment;
- Analysis of comparable companies for estimating an appropriate WACC for Ithaca;
- Discussions with Management concerning the history and future operations of Ithaca, the market environment, and the projections prepared for the business;
- Analysis of historical and projected operating and financial results including revenues, operating margins and capital expenditures;
- Estimation of the Recoverable Amount of Ithaca through the application of the Income Approach; and
- Comparison of the Recoverable Amounts of Ithaca to the respective Carrying Amount to test for impairment as of the Valuation Date.

Section 03

Ithaca Impairment Test – IAS 36

Valuation Approach

In performing the goodwill impairment test under IAS 36, we first estimated the Recoverable Amount of the Investment in Ithaca, as described below. Having determined the Recoverable Amount, we compared it to the Carrying Amount. As described under Financial Reporting Requirements, impairment is indicated if the Carrying Amount exceeds the Recoverable Amount.

In estimating the Recoverable Amount, we relied primarily on a discounted cash flow ("Discounted Cash Flow" or "DCF") valuation under the Income Approach as an indication of Ithaca's FVLCTS. The Income Approach is a valuation technique that provides an estimation of the value of a business based on the cash flows that the business can be expected to generate in the future. The Income Approach is generally an important indicator of value to the owner and to a prospective purchaser of a business because it permits a comparison to be made with alternative investment opportunities. It is not unusual for a prospective purchaser to evaluate the reasonableness of the purchase price of a business by estimating the present value of the projected net cash flows in the future. Ithaca management provided us with a financial model containing production and cash flow projections for the Company and this formed the basis of our analysis under the Income Approach. We compared the FVLCTS indicated by the Income Approach to the Carrying Amount of the investment in Ithaca to determine whether an impairment was indicated at the Valuation Date.

Ithaca Operations

In estimating the Recoverable Amount of the investment in Ithaca, we have considered the Company's financial forecasts. These include forecasts from Ithaca's fields and the acquired CNSL fields. We have detailed the fields and Ithaca's working interest in each field ("WI") in the table below:

Ithaca		CNSL	
Field	**Working Interest**	**Field**	**Working Interest**
Stella	100%	Captain	85%
Abgigial	100%	Alba	37%
Harrier	100%	Erskine	50%
Don SW	40%	Britannia	32%
Ythan	40%	Brodgar	6%
W Don	21%	Enochdhu	50%
Cook	61%	Callanish	17%
Athena	40%	Alder	74%
Causeway	65%	Elgin-Franklin	4%
Fionn	100%	Jade	20%
Jacky	100%	Fortriu	22%
Courageous	55%	Fotla	60%
Topaz	35%	Marigold/Yeoman	50%
Anglia	30%	Leverett	15%
Broom	8%		
Vorlich	34%		
Austen	100%		
Isabella	10%		
Pierce	7%		

Source: Management provided financial model

Financial Projections

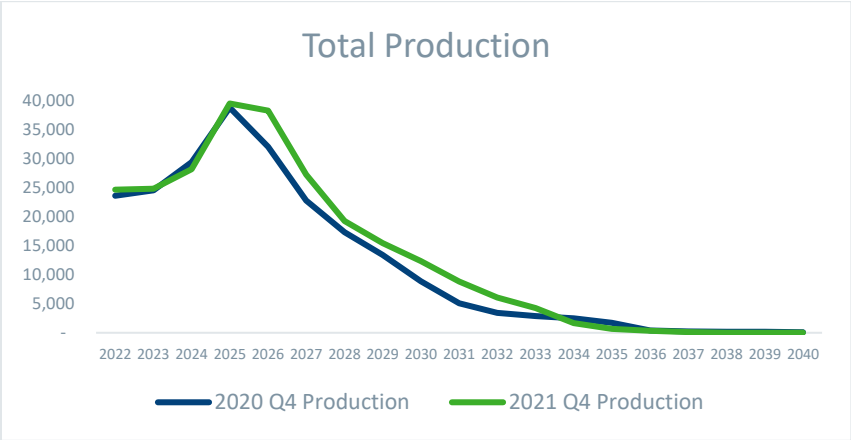
Management have provided us with their updated financial model with forecasts for the lifetime of each of Ithaca's and CNSL's fields'. The production forecasts are based on NSAI's reserve estimates. As at the Valuation Date, Ithaca has six producing fields and there are now ten producing fields acquired as part of the CNSL transaction. Leverret (15% WI) was recently included in the Ithaca & Chevron's portfolio and is set to contribute to total production in 2023.

These projections included production forecasts as well as estimates of operating and central costs ("Opex"), capital expenditures ("Capex"), and key assumptions around pricing and inflation. Management have revised their production profile based on technical reports and appraisals conducted for the reserves by Ithaca's consultant, NSAI as at December 2021, as well as the opinion and expertise of the Company's technical staff and Management. Additionally, we note that these projections include certain assumptions for key inputs such as inflation and commodity prices. We further note that the 2P reserves are un-risked whilst a success rate of 35.0 to 70.0 percent is applied to the 2C reserves.

The financial projections, which we relied upon for the purposes of our analysis were based on the following assumptions:

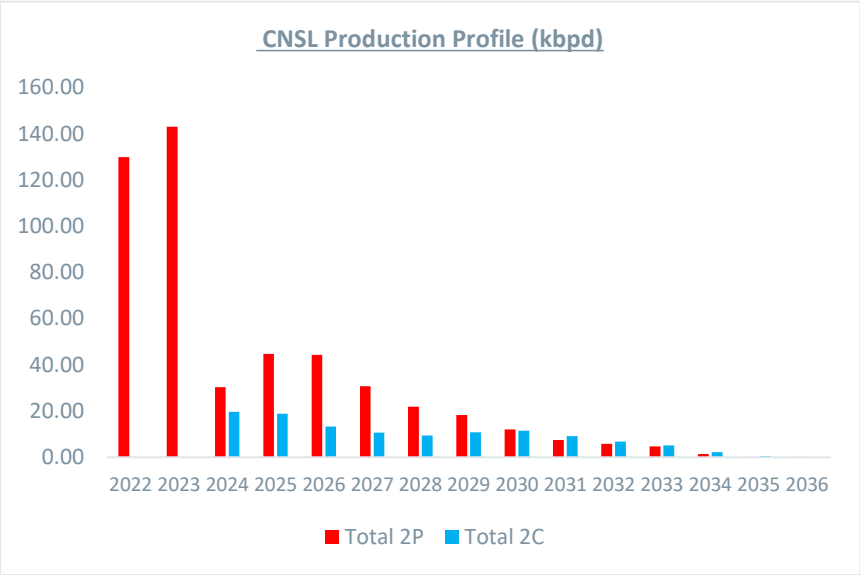
Production

Extraction of hydrocarbons is the primary driver for Ithaca's business profile. The raw reserve data for each field is based on NSAI's estimates. Management, based on their experience of operating these fields, apply a risking (or success factor) on each field. We note that the total net production has increased by c. 24 Mmbls from Q4 2020 production forecasts. The updated production forecast also includes the reserve estimates for Leverett, which were not included in the production forecast in Q4 2020.

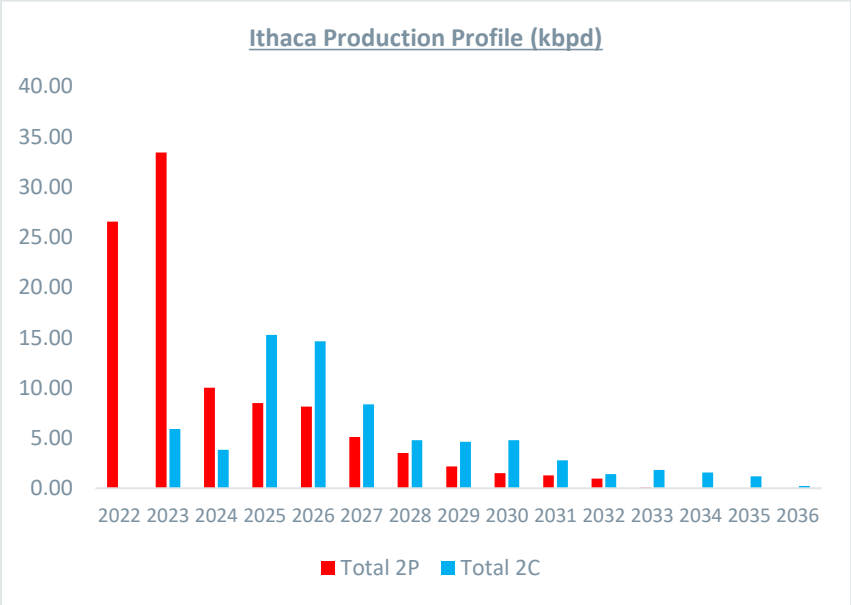


Source: Management provided forecasts (Q4 2020 & Q4 2021)

We have also analysed 2P and 2C reserves for major fields under the CNSL and Ithaca portfolio's after considering for the Company's working interest in each field. The graph(s) below illustrate the un-risked reserves (kbpd):



CNSL Fields



Ithaca Fields

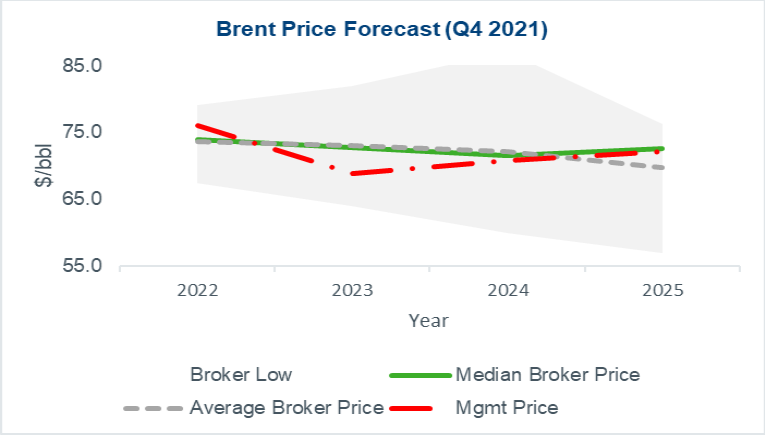
Revenues

Revenue for Ithaca (including CNSL fields) is derived through the extraction and sale of the oil, gas, and natural gas liquids ("NGL") reserves associated with each of the fields. Revenue is estimated for each field based on the respective field's production profile and price forecasts for the underlying commodity over the life of the field.

Price Forecasts

Management have provided us with their price forecasts for Brent oil until the projected life of the fields. Management base their Brent oil price forecast on estimates provided by BDO. The Brent oil price in the BDO report is based on estimates by independent entities such as IHS Global Insights, WoodMac, DoE & the World Bank.

We have compared Management's concluded (nominal) Brent oil price forecast against the forecasts provided by independent market participants and brokers. 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. In our analysis, we have relied on Management's concluded nominal price.



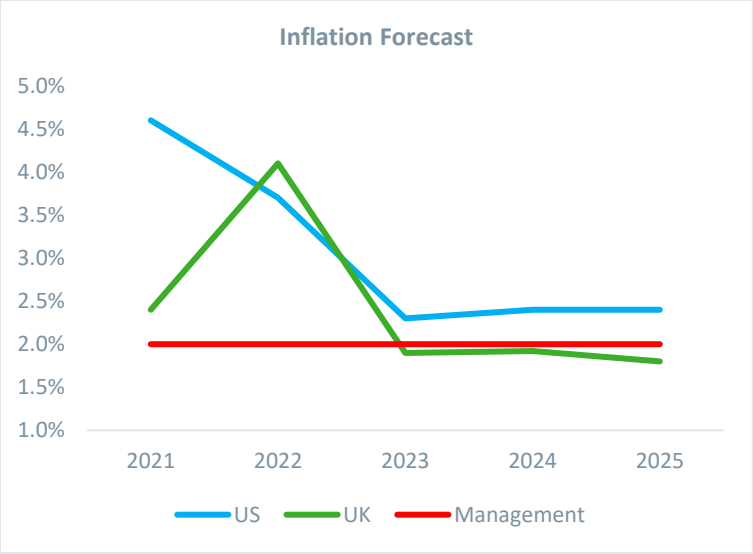
Source: Bloomberg, D&P Analysis

Additionally, we note that there is a price-differential applied to each field. The commodity price differential is applied to compensate for the "quality of the hydrocarbon being produced" or the "distance from mouth", which reflects the logistics of bring the hydrocarbon to the market. Please refer to Exhibit 4.0 for detailed analysis on the Brent oil price comparison.

Inflation

Management relied upon an inflation assumption of 2.0 percent annually in their projections. To validate this assumption, we compared it to the inflation forecast from IHS Markit's latest data as of December 2021 for long-term inflation expectations. We note that while revenues for Ithaca are forecast in USD, most of the Company's costs are incurred in GBP, and we therefore considered inflation expectations for both the United States and United Kingdom.

Additionally, the ongoing COVID-19 pandemic had further negative economic consequences with the second wave of coronavirus affecting inflation rates in both developed and developing economies. Given the uncertainty around inflation forecast, assumption of long-term inflation factor of at least 2.0 percent seems appropriate given the current economic environment. The comparison for inflation forecast is illustrated in the following graph:



Source: IHS Markit Inflation Forecast, December 2021

Operating Expenses and Central Costs

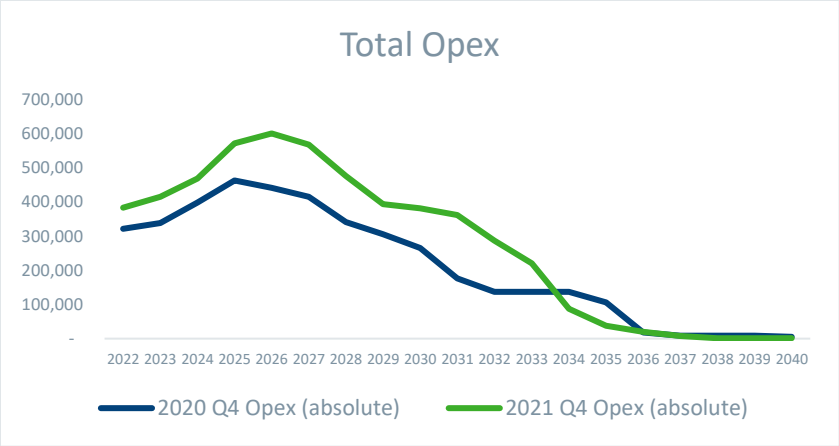
Management have provided us with estimates of the cash operating costs required for the daily operations of the extraction activities. In addition, Ithaca will incur some central costs, such as administrative expenses and hedging costs. NSAI has estimated these costs over the life of the assets. During 2021, Management experienced a significant increase in operating expenses and central costs that led to an uplift in forecasted operating expenses for the coming years.

Overall, the increase in commodity prices (Oil, Gas and Natural Gas Liquids) caused the rise in operating expenses across most of the fields within Ithaca and Chevron's

portfolio. The change in operating expenses also correlated with the increased diesel, fuel gas and emission costs that will have affected associated costs of field operations during the year. Additionally, the difference in operating expenses between Q4 2020 and Q4 2021 was due to NSAI's method for calculating operating costs which was to use previous year's actuals as their basis. This approach for YE 2020 produced an abnormality for the year's estimates because of the ongoing COVID-19 pandemic and lower commodity prices when compared to 2021 commodity prices.

Ithaca also commenced an extensive exercise to align the NSAI operating expenses numbers with their business plan and with the significant increase in 2021 actual operating expenses.

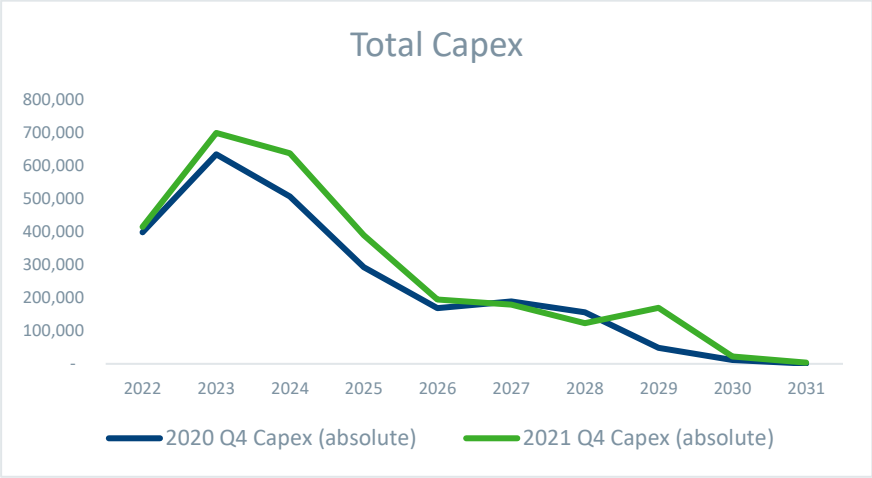
Finally, for some oil fields, the reason for the rise in operating expenses was due to more field-specific reasons such as additional production in 2C due to an additional well coming on site for Field Harrier and movement in COP date from 2029 to 2033 for Field Erskine which means an inclusion of an additional four years of operating costs. For Field Marigold, the rise in operating costs was primarily due to the change in overall risking applied to this asset. In 2020, it was 50% and now it has increased to 70% due to project progress and less uncertainty of its plans.



Source: Management provided financial model

Capital Expenditures

The Capex reflected in Management's forecast is mainly for estimates of facilities capital expenditure. We note that under UK regulations, capital expenditures in the oil and gas industry are immediately depreciable and are thus treated as expenses in our projections.



Source: Management provided financial model

We note that cumulative Capex projections have increased by over USD 400 million since Q4 2020 projections. This increase in the Capex projections is mainly due to three fields as provided by Management.

Decommissioning Costs

At the end of the life of each oil and gas field, Ithaca will incur certain abandonment costs for the operating basins/fields. These costs are associated with decommissioning the equipment and facilities and are mandated for an exploration company to meet its requirements for and environmental clean-up required once production at the respective field has ceased. Management has provided us with an estimation of future decommissioning costs expectations.

Taxes

We note that while acquiring and developing its assets, Ithaca had accrued significant net operating losses ("NOLs"), which reduce the future taxes payable for the Company. Going forward, profits from CNSL assets can be offset by Ithaca's existing NOLs along with the tax relief which Ithaca will receive as part of the decommissioning costs. As a result, Ithaca is expected to offset all taxable profits and will begin paying taxes in 2023.

Discount Rate Determination

When applying the Income approach, the cash flows expected to be generated by a business or asset are discounted to their present value equivalent using a rate of return that reflects the relative risk of the investment, as well as the time value of money. In determining the appropriate discount rate to be applied to the forecasted cash flows, we considered the weighted average cost of capital ("WACC").

Weighted Average Cost of Capital

The WACC is calculated by weighting the required returns on interest-bearing debt and common equity capital in proportion to their estimated percentages in an expected industry capital structure.

The general formula for calculating the WACC is:

$$\boldsymbol{WACC = \frac{E}{E+D}k_e + \frac{D}{E+D}k_d(1-t)}$$

Where:

$\boldsymbol{K_d}$	=	Pre-tax rate of return on debt capital;
$\boldsymbol{K_e}$	=	Rate of return on equity capital; and
D	=	Debt capital;
E	=	Equity capital;
t	=	Applicable tax rate.

Required Return on Equity

We used the Capital Asset Pricing Model ("CAPM") to estimate the required return on equity. The CAPM is described in the following sections.

Capital Asset Pricing Model

CAPM has been empirically tested and is widely accepted for the purpose of estimating a company's required return on equity capital. In applying the CAPM, the rate of return on equity is estimated as the sum of the current risk-free rate of return, plus a Market Equity Risk Premium expected over the risk-free rate of return, multiplied by the "beta" for the stock, plus a size premium (where applicable). Beta is defined as a risk measure that reflects the sensitivity of a company's stock price to the movements of the stock market.

The CAPM rate of return on equity capital is calculated using the following formula:

$$k_e = R_f + \beta(R_M - R_f) + SSP$$

Where:

k_e	= Rate of return on equity capital;
R_f	= Risk free rate of return;
β	= Beta or systematic risk for this type of equity investment;
$R_M - R_f$	= Market Equity Risk Premium (the expected return on a broad portfolio of stocks in the market (R_M) less the risk- free rate (R_f)); and
SSP	= Small Stock Premium.

Risk-free Rate of Return

For the risk-free rate of return, we used a yield on 20-year US government bonds as of the Valuation Date. Research indicates that the low yields observed currently represent an aberration, overly influenced by a "flight to quality." Indications are that these low yields may not be sustainable. As a result, we applied a longer-term normalised yield of 2.50 percent instead of the spot yield. These yields are "risk-free" only in nominal terms (i.e., if they are held to maturity, default risk is assumed to be negligible).

Beta

Beta (β) is a statistical measure of the volatility of the price of a specific stock relative to the movement of a general group. Generally, beta is indicative of the market's perception of the relative risk of the specific stock. For unlisted firms, practical application of the CAPM is dependent upon the ability to identify publicly traded companies that have similar risk characteristics as the subject company/assets to derive meaningful measures of beta.

Market Equity Risk Premium

Due to the increased risk of holding equity securities as compared to holding debt securities, investors demand a risk premium as part of their return on equity capital. This risk premium is defined as the difference between the market return on equity and the risk-free rate of return. Since the expectations of the average investor are not directly observable, the Market Equity Risk Premium must be inferred. Based on a review of historical and forward-looking market risk premium data, we applied a 5.5 percent premium.

Small Stock Premium

The CAPM rate of return is adjusted by a premium that reflects the extra risk of an investment in a small company. This premium is derived from differences in historical returns between small and large company stocks. Using the Duff & Phelps 2021 Valuation Handbook as reference, we consider that the appropriate small stock premium for a company of Ithaca's size is 1.43 percent.

Cost of Debt Capital

The rate of return on debt capital is the rate a prudent debt investor would require on interest-bearing debt. We have utilised a corporate US BB rated bond index rate to determine the pre-tax cost of debt as of the Valuation Date. This rate was then adjusted to account for the normalised risk-free rate, resulting in a yield of 3.7 percent. This yield is an indication of the pre-tax cost of U.S. based debt capital.

$$\boldsymbol{k_d = (k)(1 - t)}$$

Where:

kd	=	After-tax rate of return on debt capital;
k	=	Pre-tax rate of return on debt capital; and
t	=	Applicable tax rate (30.0 percent).

Tax Rate

We note that a tax rate of 30.0 percent is applied in our WACC calculations. Whilst the marginal tax rate for UK North Sea operators is 40.0 percent, 10.0 percent of this total which reflects supplementary charges is not deductible for finance costs, hence, does not provide a tax-shield for the cash flows.

Weighted Average Cost of Capital Conclusion

The resulting post-tax WACC was calculated as 9.50 percent. Please refer to Exhibit 3.0 for our detailed WACC calculations.

Recoverable Amount

Present Value of Projected Cash Flows

Based on the assumptions described above, we estimated the total present value of future cash flows on an Enterprise Value basis to be USD 4.1 billion. We have detailed out our calculations in Exhibit 2.0.

Recoverable Amount

As of the Valuation Date, we estimated the Enterprise Value of the Company to be approximately USD 4,107 million. To arrive at the Equity Value of Ithaca, we deducted net debt of 958 million, which includes gross debt and accrued interest of 1,003 million and cash of 45 million. Over the course of 2021 Delek's Shareholder Loan has been repaid. We have concluded on an **Equity Value of 3,150 million.**

The table below illustrates our calculations to derive the Equity Value.

Equity Value (in USD mio)	
Enterprise Value	**4,107**
Less: Net Debt	958
Equity Value	**3,149**
Equity Value (Rounded)	**3,150**

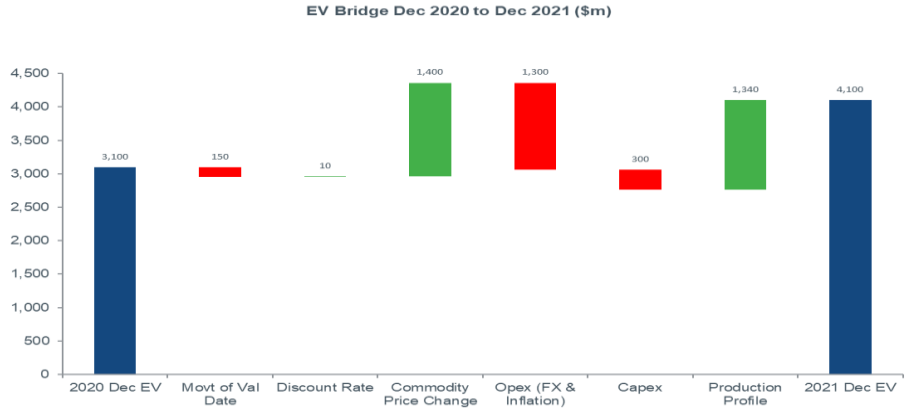
Enterprise Value Movement (Q4 – Q4 2021)

Enterprise Value Bridge

2021 witnessed a recovery in the global oil and gas sector as commodity prices had a significant uplift compared to the previous year that led to a revisitation of asset values and long-term price forecasts by Oil majors and IOCs.

Management, in conjunction with NSAI, have subsequently revised their production forecasts and the associated investments needed accordingly. As stated earlier, the net production for Q4 2021 is c. 24 mmbls higher than the Q4 2020 forecast. To achieve this production level, additional Capex has also been accounted for in the latest projections.

As part of our analysis, we have assessed the impact of certain key inputs and presented the findings in an enterprise value bridge. This value bridge illustrates the rationale behind an increase in enterprise value from December 2020 to December 2021. Please note our December 2020 and December 2021 EVs are without the working capital adjustments.



Source: Kroll Analysis

Commentary on the enterprise value bridge:

- We have utilized our December 2020 concluded value of USD 3.1 billion as the starting point.
- Our calculated discount rate has reduced from 9.75 percent in December 2020 to 9.50 percent in December 2021. This resulted in a marginal increase in the value.
- The rise in commodity prices led to an increase of c. USD 1.4 billion due to positive market development in FY2021.
- We also note an increase in production compared to the December 2020 levels with some field wells being transferred from prospective to reserves.
- However, to achieve higher production and bringing new fields onstream, additional Opex and Capex have also been projected. This leads to a reduction in value of c. 1.3 billion and 300 million, respectively.
- After incorporating the above-mentioned changes, we arrive at an enterprise value of c. USD 4.1 billion for December 2021.

Calculation of Carrying Amount

Management have provided us with the Carrying Amount of the investment in Ithaca as per Delek's records. In estimating the Carrying Amount we understand that financial assets (cash) and financial liabilities (long-term and short-term debt, provisions for liabilities and obligations under finance leases) were excluded.

As provided to us by Management, the estimated Carrying Amount of the investment in Ithaca amounts to USD 991 million.

Conclusion – Ithaca Impairment Testing

As illustrated in the table below, the Recoverable Amount as of the Valuation Date is above the Carrying Amount of the investment in Ithaca, thus, indicating no Goodwill Impairment as of the Valuation Date.

IAS 36 Impairment Conclusion (in USD mio)	
Estimated Recoverable Amount	3,150
Carrying Amount at Valuation Date	991
Indicated Excess / (Impairment)	**2,159**

Section 04

Field-by-Field Impairment Test

Individual Fields

Background

The Ithaca-operated GSA is in the heart of the Central Graben area of the Central North Sea, on the UK Continental Shelf. Ithaca owns licenses to six fields in the GSA which are all supported by the FPF-1 floating production facility. The GSA licences contain the Stella, Harrier, Abigial, Vorlich and Courageous fields. Ithaca's focus on the GSA is driven by monetisation of the currently identified reserves as well as the generation of additional value via the wider opportunities provided by the range of undeveloped discoveries surrounding the production hub.

As part of our analysis, we have looked at cash flows for certain individual oil fields. Additionally, there are oil fields which are grouped together and are illustrated in the table below:

GSA	Britsats
Stella	Britannia
Harrier	Callanish
Abigial	Alder
Vorlich	Brodgar
Courageous	Enochdhu

Impairment Testing

As described previously, we have completed impairment testing at the level of Delek's total investment in Ithaca as held on Delek's books. In addition, we have estimated the Recoverable Amount of certain oil fields or group of oil fields. Please refer to the table outlined later in this report for further details on field - specific impairment(s).

Methodology

We have utilised the same methodology in calculating the field values of these assets as utilised in calculating the Recoverable Amount for the investment in Ithaca. We have relied on the production and other forecasts provided by Management. While the Ithaca-level cash flows were assessed on a consolidated level, for the purposes of the field-by-field impairment testing, we have considered the cash flows for the fields separately.

There are several minor differences between the approach used in the Ithaca-level impairment test and field-specific impairment test:

- We have not included the decommissioning costs or hedging costs in the field-level cash flows. We understand that in Delek's consolidated accounts, these assets and liabilities are recognised separately, and we have therefore excluded them when estimating the NPV of an individual field to avoid double-counting.

- We have not included a separate line of cash flows related to the general and administrative ("SG&A") costs for individual fields. We understand that most administrative expenses relating to the fields are onshore support costs. Management have advised us that the costs which are specific to each field have already been allocated and are captured in each field's operating expenses.

- The additional SG&A costs which we reflect at the total Ithaca level relate to central costs which are not attributable to any individual field. Therefore, we have not included these cost items at the field-specific level.

- We have performed our field-level analysis on a pre-tax basis, and field values have been converted into post-tax values subsequently utilising a tax rate of 40.0 percent.

  Please refer to Exhibits 6.1 – 17.0 for field-level cash flows.

The following table illustrates the Recoverable Amount for individual fields:

Field	Recoverable Amount (2)
GSA Fields	564,347
Britsats Fields	603,421
Cook	214,337
Pierce	120,383
Austen	175,453
Isabella	30,642
Captain	1,497,845
Alba	77,145
Erskine	259,428
Elgin Franklin & W Franklin	232,309
Jade	240,913
Marigold	299,259

Calculated using a discount rate of 9.50%

Section 05

Limiting Conditions

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 the Russian-Ukraine war that broke out on 24 February 2022 has affected the 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.

Section 06

Exhibits

Delek Group Ltd.

Exhibit 1.0

Ithaca Energy Ltd. Impairment Testing

Valuation Date: December 31, 2021

Ithaca Summary of Values

Currency in USD Thousands (Unless otherwise noted)

Enterprise Value	(1)	4,106,851
Less: Gross Debt	(2)	(1,003,000)
Add: Cash		44,849
Equity Value (Rounded)	(3)	**3,150,000**
Carrying Amount	(4)	991,000
Indicated Excess / (Impairment)		**2,159,000**

Notes:

(1) Please see Exhibit 2.0 for detailed calculations.

(2) Nominal value of $975.0 mn of debt included $28.0 mn of accrued interest

(3) Please see Exhibit 2.0 for detailed calculations.

(4) Provided by Management.

Delek Group Ltd.
Ithaca Energy Ltd. Impairment Testing
Valuation Date: December 31, 2021
Ithaca Discounted Cash Flow Analysis
Currency in USD Thousands (Unless otherwise noted)

	1/1/2022 7/2/2022 12/31/2022 **2022**	1/1/2023 7/2/2023 12/31/2023 **2023**	1/1/2024 7/1/2024 12/31/2024 **2024**	1/1/2025 7/2/2025 12/31/2025 **2025**	1/1/2026 7/2/2026 12/31/2026 **2026**	1/1/2027 7/2/2027 12/31/2027 **2027**	1/1/2028 7/1/2028 12/31/2028 **2028**	1/1/2029 7/2/2029 12/31/2029 **2029**	1/1/2030 7/2/2030 12/31/2030 **2030**	1/1/2031 7/2/2031 12/31/2031 **2031**	1/1/2032 7/1/2032 12/31/2032 **2032**	1/1/2033 7/2/2033 12/31/2033 **2033**
Net Production (1)												
Ithaca	6,294	6,666	6,991	14,036	12,733	8,555	5,331	3,380	2,979	2,104	756	300
CNSL	18,310	18,104	21,146	25,380	25,444	18,620	13,897	12,006	9,339	6,720	5,311	3,928
Total Net Production (Mboe)	**24,604**	**24,771**	**28,137**	**39,416**	**38,177**	**27,175**	**19,228**	**15,386**	**12,318**	**8,823**	**6,066**	**4,228**
Net Revenue												
Ithaca	626,086	470,894	422,320	879,251	785,633	528,162	329,824	219,471	199,125	141,954	59,729	26,293
CNSL	1,784,226	1,348,986	1,452,969	1,785,724	1,801,042	1,345,211	1,025,595	935,805	746,766	539,055	432,374	332,089
Total Net Revenue	**2,410,312**	**1,819,880**	**1,875,289**	**2,664,975**	**2,586,676**	**1,873,373**	**1,355,420**	**1,155,276**	**945,891**	**681,009**	**492,103**	**358,381**
% growth			*3.0%*	*42.1%*	*(2.9%)*	*(27.6%)*	*(27.6%)*	*(14.8%)*	*(18.1%)*	*(28.0%)*	*(27.7%)*	*(27.2%)*
Operating Costs												
Ithaca	(103,348)	(120,351)	(135,987)	(211,661)	(211,156)	(191,871)	(170,893)	(115,450)	(108,204)	(103,100)	(39,505)	(14,548)
CNSL	(278,816)	(293,413)	(331,861)	(358,714)	(387,964)	(374,156)	(303,731)	(276,868)	(272,196)	(258,143)	(246,608)	(205,238)
Total Operating Costs	**(382,164)**	**(413,765)**	**(467,848)**	**(570,375)**	**(599,119)**	**(566,027)**	**(474,623)**	**(392,318)**	**(380,400)**	**(361,243)**	**(286,113)**	**(219,786)**
EBITDA	**2,028,148**	**1,406,115**	**1,407,440**	**2,094,601**	**1,987,556**	**1,307,346**	**880,796**	**762,958**	**565,491**	**319,766**	**205,990**	**138,595**
			0.1%	*48.8%*	*(5.1%)*	*(34.2%)*	*(32.6%)*	*(13.4%)*	*(25.9%)*	*(43.5%)*	*(35.6%)*	*(32.7%)*
Other Income (Costs) - G&A and Hedging												
Ithaca	(456,581)	(12,997)	(16,647)	(16,980)	(17,320)	(17,666)	(18,021)	(13,786)	(14,061)	(14,343)	(14,630)	(7,461)
CNSL												
Total Other Income (Costs) - G&A and Hedging	(456,581)	(12,997)	(16,647)	(16,980)	(17,320)	(17,666)	(18,021)	(13,786)	(14,061)	(14,343)	(14,630)	(7,461)
Net Capex												
Ithaca	(90,537)	(174,747)	(242,518)	(19,864)	(18,743)	(11,024)	(5,018)	(18,092)	-	-	-	-
CNSL	(324,038)	(524,238)	(394,781)	(369,446)	(176,221)	(168,249)	(118,398)	(151,495)	(21,820)	(3,654)	(419)	(593)
Total Net Capex	**(414,575)**	**(698,985)**	**(637,299)**	**(389,310)**	**(194,964)**	**(179,273)**	**(123,416)**	**(169,587)**	**(21,820)**	**(3,654)**	**(419)**	**(593)**
DSA Postings												
Ithaca	-	-	-	-	-	-	-	-	-	-	-	-
CNSL	(7,974)	(10,123)	(10,428)	(10,585)	(7,764)	(8,012)	(9,847)	(13,843)	(12,872)	(12,226)	(10,235)	(7,338)
Total DSA Postings	(7,974)	(10,123)	(10,428)	(10,585)	(7,764)	(8,012)	(9,847)	(13,843)	(12,872)	(12,226)	(10,235)	(7,338)
Decommissioning Costs												
Ithaca	(23,207)	(49,472)	(12,226)	(13,342)	(51,851)	(2,394)	(2,307)	(175)	(10,469)	(10,679)	(28,618)	(61,778)
CNSL	-	-	-	-	-	(717)	(732)	(746)	(761)	-	-	(63,219)
Total Decommissioning Costs	(23,207)	(49,472)	(12,226)	(13,342)	(51,851)	(3,112)	(3,039)	(921)	(11,231)	(10,679)	(28,618)	(124,997)
Pre-Tax Income	**1,119,856**	**631,500**	**726,180**	**1,659,820**	**1,712,659**	**1,096,808**	**726,474**	**562,499**	**502,792**	**277,238**	**152,087**	**(1,794)**
Margin	*46.5%*	*34.7%*	*38.7%*	*62.3%*	*66.2%*	*58.5%*	*53.6%*	*48.7%*	*53.2%*	*40.7%*	*30.9%*	*(0.5%)*
Total Tax Payable	**-**	**(151,016)**	**(220,982)**	**(647,900)**	**(670,698)**	**(430,723)**	**(285,970)**	**(219,938)**	**(204,902)**	**(115,557)**	**(36,403)**	**(2,181)**
Free Cash Flow	**1,119,856**	**480,484**	**505,198**	**1,011,921**	**1,041,961**	**666,085**	**440,504**	**342,562**	**297,891**	**161,681**	**115,685**	**(3,975)**
Partial Period	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Mid-Year Adjustment	0.50	1.50	2.50	3.50	4.50	5.50	6.50	7.50	8.50	9.50	10.50	11.50
PV Factor @ 9.50%	0.9556	0.8727	0.7970	0.7279	0.6647	0.6070	0.5544	0.5063	0.4624	0.4222	0.3856	0.3522
PV of Free Cash Flow to Firm	**1,070,176**	**419,332**	**402,649**	**736,541**	**692,609**	**404,345**	**244,207**	**173,433**	**137,733**	**68,269**	**44,610**	**(1,400)**

Enterprise Value	**4,106,851**
Less: Gross Debt (2)	(1,003,000)
Add: Cash	44,849
Equity Value	**3,148,700**
Equity Value (Rounded)	**3,150,000**

WACC Sensitivity

9.25%	**9.50%**	9.75%
3,174,049	**3,148,700**	3,123,503

Commodity Price Sensitivity

Base - 5%	**Base**	Base + 5%
2,799,100	**3,148,700**	3,496,664

Notes:

(1) Financial Forecast provided by management and prepared with assistance from NSAI

(2) Gross Debt includes the RBL facility, bond and accrued interest

Delek Group Ltd.
Ithaca Energy Ltd. Impairment Testing
Valuation Date: December 31, 2021
Ithaca Discounted Cash Flow Analysis
Currency in USD Thousands (Unless otherwise noted)

		1/1/2034 7/2/2034 12/31/2034 **2034**	1/1/2035 7/2/2035 12/31/2035 **2035**	1/1/2036 7/1/2036 12/31/2036 **2036**	1/1/2037 7/2/2037 12/31/2037 **2037**	1/1/2038 7/2/2038 12/31/2038 **2038**	1/1/2039 7/2/2039 12/31/2039 **2039**	1/1/2040 7/1/2040 12/31/2040 **2040**	1/1/2041 7/2/2041 12/31/2041 **2041**	1/1/2042 7/2/2042 12/31/2042 **2042**	1/1/2043 7/2/2043 12/31/2043 **2043**	1/1/2044 7/1/2044 12/31/2044 **2044**	1/1/2045 7/2/2045 12/31/2045 **2045**	1/1/2046 7/2/2046 12/31/2046 **2046**
Net Production (1)														
Ithaca		253	194	56	45	36	29	23	19	6	-	-	-	-
CNSL		1,385	484	303	101	-	-	-	-	-	-	-	-	-
Total Net Production (Mboe)		**1,638**	**678**	**359**	**145**	**36**	**29**	**23**	**19**	**6**	**-**	**-**	**-**	**-**
Net Revenue														
Ithaca		22,662	17,707	5,015	4,037	3,321	2,728	2,262	1,891	565	-	-	-	-
CNSL		119,464	36,875	21,581	7,401	-	-	-	-	-	-	-	-	-
Total Net Revenue		**142,126**	**54,582**	**26,596**	**11,438**	**3,321**	**2,728**	**2,262**	**1,891**	**565**	**-**	**-**	**-**	**-**
% growth		*(60.3%)*	*(61.6%)*	*(51.3%)*	*(57.0%)*	*(71.0%)*	*(17.8%)*							
Operating Costs														
Ithaca		(13,364)	(12,276)	(1,650)	(1,525)	(1,433)	(1,366)	(1,318)	(1,284)	(425)	-	-	-	-
CNSL		(74,223)	(25,201)	(17,897)	(6,272)	-	-	-	-	-	-	-	-	-
Total Operating Costs		**(87,588)**	**(37,477)**	**(19,547)**	**(7,797)**	**(1,433)**	**(1,366)**	**(1,318)**	**(1,284)**	**(425)**	**-**	**-**	**-**	**-**
EBITDA		**54,538**	**17,106**	**7,049**	**3,641**	**1,887**	**1,362**	**944**	**607**	**139**	**-**	**-**	**-**	**-**
		(60.6%)	*(68.6%)*	*(58.8%)*	*(48.4%)*	*(48.2%)*	*(27.8%)*							
Other Income (Costs) - G&A and Hedging														
Ithaca		(7,611)	(647)	(660)	(673)	(687)	(700)	(714)	(729)	(743)	-	-	-	-
CNSL														
Total Other Income (Costs) - G&A and Hedging		(7,611)	(647)	(660)	(673)	(687)	(700)	(714)	(729)	(743)	-	-	-	-
Net Capex														
Ithaca		-	-	-	-	-	-	-	-	-	-	-	-	-
CNSL		(668)	(325)	(626)	-	-	-	-	-	-	-	-	-	-
Total Net Capex		**(668)**	**(325)**	**(626)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
DSA Postings														
Ithaca		-	-	-	-	-	-	-	-	-	-	-	-	-
CNSL		(5,855)	(4,611)	(3,735)	(2,831)	(1,615)	(1,218)	(877)	(27)	(19)	(19)	(18)	(10)	(10)
Total DSA Postings		(5,855)	(4,611)	(3,735)	(2,831)	(1,615)	(1,218)	(877)	(27)	(19)	(19)	(18)	(10)	(10)
Decommissioning Costs														
Ithaca		(11,126)	(62,754)	(78,665)	(13,739)	(1,067)	-	(367)	-	-	(1,989)	(2,029)	(2,070)	-
CNSL		(227,830)	(280,164)	(466,342)	(356,425)	(219,351)	(57,645)	(34,429)	(35,117)	-	-	-	-	-
Total Decommissioning Costs		(238,956)	(342,918)	(545,007)	(370,164)	(220,418)	(57,645)	(34,795)	(35,117)	-	(1,989)	(2,029)	(2,070)	-
Pre-Tax Income		**(198,551)**	**(331,394)**	**(542,979)**	**(370,028)**	**(220,832)**	**(58,202)**	**(35,443)**	**(35,266)**	**(623)**	**(2,008)**	**(2,047)**	**(2,080)**	**(10)**
Margin		*(139.7%)*	*(607.1%)*	*(2,041.6%)*	*(3,235.2%)*	*(6,650.2%)*	*(2,133.2%)*	*(1,566.9%)*	*(1,865.1%)*	*(110.3%)*	-	-	-	-
Total Tax Payable		**77,078**	**130,713**	**215,697**	**146,878**	**87,687**	**22,793**	**13,826**	**14,096**	**242**	**796**	**812**	**828**	**-**
Free Cash Flow		**(121,472)**	**(200,681)**	**(327,281)**	**(223,149)**	**(133,145)**	**(35,408)**	**(21,617)**	**(21,170)**	**(381)**	**(1,212)**	**(1,235)**	**(1,252)**	**(10)**
Partial Period		1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Mid-Year Adjustment		12.50	13.50	14.50	15.50	16.50	17.50	18.50	19.50	20.50	21.50	22.50	23.50	24.50
PV Factor @ 9.50%		0.3216	0.2937	0.2682	0.2450	0.2237	0.2043	0.1866	0.1704	0.1556	0.1421	0.1298	0.1185	0.1082
PV of Free Cash Flow to Firm		**(39,066)**	**(58,941)**	**(87,784)**	**(54,661)**	**(29,785)**	**(7,234)**	**(4,033)**	**(3,607)**	**(59)**	**(172)**	**(160)**	**(148)**	**(1)**
Enterprise Value	**4,106,851**													
Less: Gross Debt (2)	(1,003,000)													
Add: Cash	44,849													
Equity Value	**3,148,700**													
Equity Value (Rounded)	**3,150,000**													

Notes:
(1) Financial Forecast provided by management and prepared with assistance from NSAI
(2) Gross Debt includes the RBL facility, bond and accrued interest

Delek Group Ltd.

Exhibit 3.0

Ithaca Energy Ltd. Impairment Testing

Valuation Date: December 31, 2021
Weighted Average Cost of Capital
Currency in Local Millions (Unless otherwise noted)

Assumptions and Sources

Valuation Date	31-Dec-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)	1.69	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)	1.15
Industry D/E	66.7%
Effective Tax Rate - Target (tt)	30.0%
Beta (Relevered)	1.69

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)
Capricorn Energy PLC	LSE:CNE	NR	1.69	5	1.88	492	926	-	930	0.5%	0.5%	30.0%	1.68
Harbour Energy plc	LSE:HBR	BB	2.52	3,737	3.54	926	3,276	-	7,014	114.1%	53.3%	30.0%	1.40
Aker BP ASA	OB:AKRBP	BBB-	1.63	3,753	271.60	649	176,338	-	180,091	2.1%	2.1%	46.9%	1.61
Lundin Energy AB (publ)	OM:LUNE	BBB-	1.19	3,508	324.50	285	92,342	-	95,850	3.8%	3.7%	46.9%	1.16
Serica Energy plc	AIM:SQZ	NR	0.95	-	2.41	269	648	-	648	0.0%	0.0%	30.0%	0.95
Equinor ASA	OB:EQNR	AA-	0.60	34,550	235.90	3,227	761,322	16	795,888	4.5%	4.3%	46.9%	0.58
	Selected										**40.0%**		**1.15**

Weighted Average Rate of Return - Capital Asset Pricing Model

	Required Return		Weighting	WACC
Debt	3.7%	x	40.0%	1.5%
Equity	13.2%	x	60.0%	7.9%
Weighted Average Cost of Capital				9.4%
Weighted Average Cost of Capital (rounded)				**9.5%**

WACC Sensitivity Table

Beta (Relevered)	1.59	1.64	**1.69**	1.74	1.79
WACC	9.0%	9.3%	**9.5%**	9.5%	9.8%

Notes:

(1) Average of 2y weekly & 5y monthly Bloomberg historic beta as at December 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 4.0

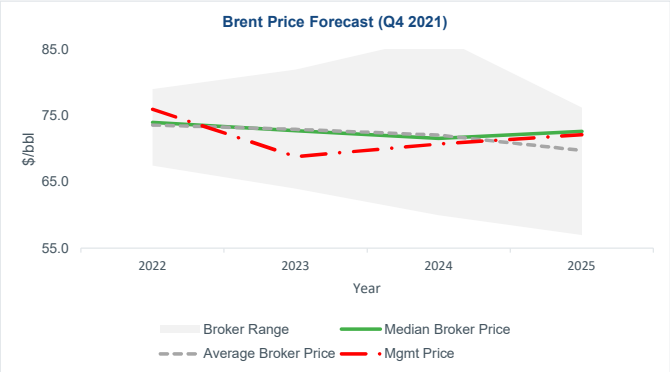
Ithaca Energy Ltd. Impairment Testing

Valuation Date: December 31, 2021

Brent Oil Price Forecast Benchmarking

Currency in USD per bbl

Firm		As of	2022	2023	2024	2025
Fitch Solutions	(1)	30-Dec-21	72.0	73.0		n/a
MPS Capital Services Banca per le Imprese SpA	(1)	27-Dec-21	73.0	n/a	n/a	n/a
Banco Santander SA	(1)	22-Dec-21	70.0	64.0	60.0	57.0
Commerzbank AG	(1)	15-Dec-21	74.0	78.0	n/a	n/a
Natixis SA	(1)	13-Dec-21	76.8	71.8	n/a	n/a
Intesa Sanpaolo SpA	(1)	8-Dec-21	67.5	70.0	72.0	74.0
Market Risk Advisory Co Ltd	(1)	1-Nov-21	74.0	73.7	74.7	76.3
Landesbank Baden-Wuerttemberg	(1)	28-Oct-21	78.0	75.0	n/a	n/a
Emirates NBD PJSC	(1)	28-Oct-21	68.1	n/a	n/a	n/a
Australia & New Zealand Banking Group Ltd	(1)	25-Oct-21	79.1	82.0	87.0	n/a
GLJ Consultants	(2)	31-Dec-21	76.0	72.5	71.2	72.7
McDaniel & Associates	(2)	31-Dec-21	75.0	69.9	67.6	69.0
Max			79.1	82.0	87.0	76.3
Median			74.0	72.8	71.6	72.7
Mean			73.6	73.0	72.1	69.8
Min			67.5	64.0	60.0	57.0
Brent Futures (2)	(3)		63.0	71.0	67.9	65.8
Management Price Curve (3)	(4)		76.0	68.8	70.8	72.2



Notes:

(1) Source: Bloomberg

(2) Source: Other Third-Party forecasts

(3) Source: S&P Capital IQ, Brent Futures as at 31/12/2021

(4) Management provided forecasts

Delek Group Ltd.

Exhibit 6.0

Ithaca Energy Ltd. Impairment Testing

Valuation Date: December 31, 2021

GSA Fields Summary of Values

Currency in USD Thousands (Unless otherwise noted)

Field Name	Post Tax Field NPV
Stella	48,748
Harrier	179,008
Agigial	114,519
Vorlich	175,670
Courageous	46,401
Total	**564,347**

Delek Group Ltd.

Ithaca Energy Ltd. Impairment Testing

Exhibit 6.1

Valuation Date: December 31, 2021

GSA Field Cash Flows: Stella

Currency in USD Thousands (Unless otherwise noted)

		1/1/2022 3/31/2022	4/1/2022 6/30/2022	7/1/2022 9/30/2022	10/1/2022 12/31/2022	1/1/2023 3/31/2023	4/1/2023 6/30/2023	7/1/2023 9/30/2023	10/1/2023 12/31/2023	1/1/2024 12/31/2024	1/1/2025 12/31/2025	1/1/2026 12/31/2026	1/1/2027 12/31/2027	1/1/2028 12/31/2028	1/1/2029 12/31/2029
Stella	Notes:	**Q1 2021**	**Q2 2021**	**Q3 2021**	**Q4 2021**	**Q1 2022**	**Q2 2022**	**Q3 2022**	**Q4 2022**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Net Production															
Oil (mbbl)		54	55	55	55	27	27	28	28	76	53	39	28	19	11
NGL (mbbl)		23	23	23	23	14	14	14	14	39	28	20	15	10	6
Gas (mboe)		122	124	125	125	75	76	77	77	209	147	107	78	53	31
Total Net Production (mboe)	(1)	199	201	204	204	116	118	119	119	323	228	165	120	82	48
Net Revenue	(1)	21,003	13,149	13,291	13,288	6,725	6,801	6,877	6,879	15,559	11,146	8,186	6,078	4,213	2,526
Net Opex	(1)	(2,355)	(2,355)	(2,355)	(2,355)	(1,696)	(1,704)	(1,712)	(1,721)	(6,443)	(4,187)	(3,900)	(4,067)	(3,510)	(2,294)
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		18,018	10,400	10,537	10,534	4,828	4,893	4,959	4,952	8,650	6,625	4,040	1,829	577	156
Check		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Discount Period		0.12	0.37	0.62	0.87	1.12	1.37	1.62	1.87	2.50	3.50	4.50	5.50	6.50	7.50
		17,818	10,167	10,071	9,841	4,409	4,369	4,328	4,224	6,971	4,874	2,715	1,122	324	80

		1/1/2030 12/31/2030	1/1/2031 12/31/2031	1/1/2032 12/31/2032	1/1/2033 12/31/2033	1/1/2034 12/31/2034	1/1/2035 12/31/2035	1/1/2036 12/31/2036	1/1/2037 12/31/2037	1/1/2038 12/31/2038	1/1/2039 12/31/2039	1/1/2040 12/31/2040	1/1/2041 12/31/2041	1/1/2042 12/31/2042	1/1/2043 12/31/2043
	Notes:	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**
Net Production															
Oil (mbbl)		8	6	-	-	-	-	-	-	-	-	-	-	-	-
NGL (mbbl)		4	3	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		23	18	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Production (mboe)	(1)	35	28	-	-	-	-	-	-	-	-	-	-	-	-
Net Revenue	(1)	1,870	1,501	-	-	-	-	-	-	-	-	-	-	-	-
Net Opex	(1)	(1,682)	(1,753)	-	-	-	-	-	-	-	-	-	-	-	-
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		132	(297)	-	-	-	-	-	-	-	-	-	-	-	-
Check		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Discount Period		8.50	9.50	10.50	11.50	12.50	13.50	14.50	15.50	16.50	17.50	18.50	19.50	20.50	21.50
Present Value of Net Field Cash Flows @ 9.50%		62	(127)	-	-	-	-	-	-	-	-	-	-	-	-

Pre-Tax Field NPV		81,247
Tax Rate:	(2)	40.0%
Post-Tax Field NPV		**48,748**

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 6.2

Valuation Date: December 31, 2021
GSA Field Cash Flows: Harrier
Currency in USD Thousands (Unless otherwise noted)

Harrier	Notes:	1/1/2022 3/31/2022 **Q1 2021**	4/1/2022 6/30/2022 **Q2 2021**	7/1/2022 9/30/2022 **Q3 2021**	10/1/2022 12/31/2022 **Q4 2021**	1/1/2023 3/31/2023 **Q1 2022**	4/1/2023 6/30/2023 **Q2 2022**	7/1/2023 9/30/2023 **Q3 2022**	10/1/2023 12/31/2023 **Q4 2022**	1/1/2024 12/31/2024 **2024**	1/1/2025 12/31/2025 **2025**	1/1/2026 12/31/2026 **2026**	1/1/2027 12/31/2027 **2027**	1/1/2028 12/31/2028 **2028**	1/1/2029 12/31/2029 **2029**
Net Production															
Oil (mbbl)		25	26	26	26	21	21	22	22	348	336	203	164	139	451
NGL (mbbl)		44	44	45	45	37	37	37	37	344	374	264	216	184	134
Gas (mboe)		232	235	237	237	194	197	199	199	1,828	1,988	1,407	1,148	976	714
Total Net Production (mboe)	(1)	301	305	308	308	252	255	258	258	2,521	2,698	1,874	1,527	1,299	1,300
Net Revenue	(1)	33,974	34,351	34,729	34,729	18,111	18,398		18,777	139,784	140,962	91,762	76,423	66,153	74,872
Net Opex	(1)	(7,422)	(7,422)	(7,422)	(7,422)	(7,464)	(7,501)	(7,538)	(7,576)	(50,278)	(49,023)	(44,429)	(50,611)	(57,442)	(47,610)
Net Capex	(1)	-	-	-	-	-	-	-	-	(53,705)	-	-	-	-	(18,092)
Total Net Field Cash Flows		25,532	25,898	26,265	26,265	10,104	10,345	10,589	10,637	31,607	87,710	44,581	23,519	6,726	6,924
Discount Period		0.12	0.37	0.62	0.87	1.12	1.37	1.62	1.87	2.50	3.50	4.50	5.50	6.50	7.50
		25,248	25,319	25,103	24,535	9,227	9,236	9,243	9,075	25,471	64,536	29,956	14,432	3,769	3,543

	Notes:	1/1/2030 12/31/2030 **2030**	1/1/2031 12/31/2031 **2031**	1/1/2032 12/31/2032 **2032**	1/1/2033 12/31/2033 **2033**	1/1/2034 12/31/2034 **2034**	1/1/2035 12/31/2035 **2035**	1/1/2036 12/31/2036 **2036**	1/1/2037 12/31/2037 **2037**	1/1/2038 12/31/2038 **2038**	1/1/2039 12/31/2039 **2039**	1/1/2040 12/31/2040 **2040**	1/1/2041 12/31/2041 **2041**	1/1/2042 12/31/2042 **2042**	1/1/2043 12/31/2043 **2043**
Net Production															
Oil (mbbl)		679	304	-	-	-	-	-	-	-	-	-	-	-	-
NGL (mbbl)		121	93	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		643	493	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Production (mboe)	(1)	1,443	890	-	-	-	-	-	-	-	-	-	-	-	-
Net Revenue	(1)	88,640	52,743	-	-	-	-	-	-	-	-	-	-	-	-
Net Opex	(1)	(48,382)	(46,274)	-	-	-	-	-	-	-	-	-	-	-	-
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		37,599	4,887	-	-	-	-	-	-	-	-	-	-	-	-
Discount Period		8.50	9.50	10.50	11.50	12.50	13.50	14.50	15.50	16.50	17.50	18.50	19.50	20.50	21.50
Present Value of Net Field Cash Flows @ 9.50%		17,569	2,085	-	-	-	-	-	-	-	-	-	-	-	-

Pre-Tax Field NPV		298,347
Tax Rate:	(2)	40.0%
Post-Tax Field NPV		**179,008**

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 6.3

Valuation Date: December 31, 2021
GSA Field Cash Flows: Abigial
Currency in USD Thousands (Unless otherwise noted)

		1/1/2022 3/31/2022	4/1/2022 6/30/2022	7/1/2022 9/30/2022	10/1/2022 12/31/2022	1/1/2023 3/31/2023	4/1/2023 6/30/2023	7/1/2023 9/30/2023	10/1/2023 12/31/2023	1/1/2024 12/31/2024	1/1/2025 12/31/2025	1/1/2026 12/31/2026	1/1/2027 12/31/2027	1/1/2028 12/31/2028	1/1/2029 12/31/2029
Abigial	Notes:	**Q1 2021**	**Q2 2021**	**Q3 2021**	**Q4 2021**	**Q1 2022**	**Q2 2022**	**Q3 2022**	**Q4 2022**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Net Production															
Oil (mbbl)		164	166	168	168	398	403	407	407	785	670	344	184	82	-
NGL (mbbl)		7	7	7	7	17	17	18	18	60	131	67	35	15	-
Gas (mboe)		38	38	39	39	89	90	91	91	310	678	350	182	76	-
Total Net Production (mboe)	(1)	209	212	214	214	504	510	516	516	1,156	1,478	762	401	173	-
Net Revenue	(1)	18,402	18,606	18,811	18,811	36,012	36,593		37,369	77,989	93,190	46,950	25,505	11,316	-
Net Opex	(1)	(1,793)	(1,793)	(1,793)	(1,793)	(6,847)	(6,881)	(6,915)	(6,950)	(23,989)	(24,022)	(18,938)	(17,846)	(10,368)	(0)
Net Capex	(1)	(19,713)	(19,713)	(19,713)	(19,713)	-	-	-	-	(27,456)	-	-	-	-	-
Total Net Field Cash Flows		(3,105)	(2,900)	(2,696)	(2,696)	29,165	29,712	30,266	30,419	26,543	69,168	28,012	7,659	949	(0)
Discount Period		0.12	0.37	0.62	0.87	1.12	1.37	1.62	1.87	2.50	3.50	4.50	5.50	6.50	7.50
		(3,070)	(2,835)	(2,576)	(2,518)	26,634	26,527	26,417	25,950	21,391	50,892	18,822	4,700	532	(0)

		1/1/2030 12/31/2030	1/1/2031 12/31/2031	1/1/2032 12/31/2032	1/1/2033 12/31/2033	1/1/2034 12/31/2034	1/1/2035 12/31/2035	1/1/2036 12/31/2036	1/1/2037 12/31/2037	1/1/2038 12/31/2038	1/1/2039 12/31/2039	1/1/2040 12/31/2040	1/1/2041 12/31/2041	1/1/2042 12/31/2042	1/1/2043 12/31/2043
	Notes:	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**
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		8.50	9.50	10.50	11.50	12.50	13.50	14.50	15.50	16.50	17.50	18.50	19.50	20.50	21.50
Present Value of Net Field Cash Flows @ 9.50%		(0)	-	-	-	-	-	-	-	-	-	-	-	-	-

Pre-Tax Field NPV		190,866
Tax Rate:	(2)	40.0%
Post-Tax Field NPV		**114,519**

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 6.4

Valuation Date: December 31, 2021
GSA Field Cash Flows: Vorlich
Currency in USD Thousands (Unless otherwise noted)

Vorlich	Notes:	1/1/2022 3/31/2022 **Q1 2021**	4/1/2022 6/30/2022 **Q2 2021**	7/1/2022 9/30/2022 **Q3 2021**	10/1/2022 12/31/2022 **Q4 2021**	1/1/2023 3/31/2023 **Q1 2022**	4/1/2023 6/30/2023 **Q2 2022**	7/1/2023 9/30/2023 **Q3 2022**	10/1/2023 12/31/2023 **Q4 2022**	1/1/2024 12/31/2024 **2024**	1/1/2025 12/31/2025 **2025**	1/1/2026 12/31/2026 **2026**	1/1/2027 12/31/2027 **2027**	1/1/2028 12/31/2028 **2028**	1/1/2029 12/31/2029 **2029**
Net Production															
Oil (mbbl)		136	138	139	139	74	75	76	76	194	126	82	53	35	18
NGL (mbbl)		42	42	43	43	34	34	34	34	91	61	41	28	19	10
Gas (mboe)		239	242	245	245	193	195	197	197	521	350	235	159	108	58
Total Net Production (mboe)	(1)	417	422	427	427	300	303	307	307	806	537	358	240	161	86
Net Revenue	(1)	46,685	47,204	47,723	47,723	23,149	23,524		24,026	49,792	31,700	20,210	13,856	9,475	5,167
Net Opex	(1)	(5,081)	(5,081)	(5,081)	(5,081)	(3,945)	(3,964)	(3,984)	(4,004)	(12,003)	(9,271)	(7,536)	(7,809)	(7,669)	(4,861)
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		41,605	42,123	42,642	42,642	19,204	19,560	19,920	20,022	37,789	22,429	12,674	6,047	1,806	306
Discount Period		0.12	0.37	0.62	0.87	1.12	1.37	1.62	1.87	2.50	3.50	4.50	5.50	6.50	7.50
		41,142	41,181	40,755	39,834	17,538	17,463	17,387	17,081	30,453	16,503	8,516	3,711	1,012	157

	Notes:	1/1/2030 12/31/2030 **2030**	1/1/2031 12/31/2031 **2031**	1/1/2032 12/31/2032 **2032**	1/1/2033 12/31/2033 **2033**	1/1/2034 12/31/2034 **2034**	1/1/2035 12/31/2035 **2035**	1/1/2036 12/31/2036 **2036**	1/1/2037 12/31/2037 **2037**	1/1/2038 12/31/2038 **2038**	1/1/2039 12/31/2039 **2039**	1/1/2040 12/31/2040 **2040**	1/1/2041 12/31/2041 **2041**	1/1/2042 12/31/2042 **2042**	1/1/2043 12/31/2043 **2043**
Net Production															
Oil (mbbl)		7	-	-	-	-	-	-	-	-	-	-	-	-	-
NGL (mbbl)		4	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		25	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Production (mboe)	(1)	37	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Revenue	(1)	2,256	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Opex	(1)	(2,149)	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		107	-	-	-	-	-	-	-	-	-	-	-	-	-
Check		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Discount Period		8.50	9.50	10.50	11.50	12.50	13.50	14.50	15.50	16.50	17.50	18.50	19.50	20.50	21.50
Present Value of Net Field Cash Flows @ 9.50%		50	-	-	-	-	-	-	-	-	-	-	-	-	-

Pre-Tax Field NPV		292,784
Tax Rate:	(2)	40.0%
Post-Tax Field NPV		**175,670**

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

Valuation Date: December 31, 2021

GSA Field Cash Flows: Courageous

Currency in USD Thousands (Unless otherwise noted)

Exhibit 6.5

Courageous	Notes:	1/1/2022 3/31/2022 **Q1 2021**	4/1/2022 6/30/2022 **Q2 2021**	7/1/2022 9/30/2022 **Q3 2021**	10/1/2022 12/31/2022 **Q4 2021**	1/1/2023 3/31/2023 **Q1 2022**	4/1/2023 6/30/2023 **Q2 2022**	7/1/2023 9/30/2023 **Q3 2022**	10/1/2023 12/31/2023 **Q4 2022**	1/1/2024 12/31/2024 **2024**	1/1/2025 12/31/2025 **2025**	1/1/2026 12/31/2026 **2026**	1/1/2027 12/31/2027 **2027**	1/1/2028 12/31/2028 **2028**	1/1/2029 12/31/2029 **2029**
Net Production															
Oil (mbbl)		-	-	-	-	-	-	-	-	-	716	870	313	112	41
NGL (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		-	-	-	-	-	-	-	-	-	469	763	603	474	372
Total Net Production (mboe)	(1)	-	-	-	-	-	-	-	-	-	1,185	1,633	916	586	413
Net Revenue	(1)	-	-	-	-	-	-		-	-	75,670	100,460	54,507	33,763	23,567
Net Opex	(1)	-	-	-	-	-	-	-	-	-	(16,656)	(22,603)	(15,211)	(11,871)	(11,203)
Net Capex	(1)	-	-	-	-	(5,701)	(6,081)	(6,112)	(6,142)	(54,015)	-	-	-	-	-
Total Net Field Cash Flows		-	-	-	-	(5,701)	(6,081)	(6,112)	(6,142)	(54,015)	59,014	77,856	39,296	21,892	12,363
Discount Period		0.12	0.37	0.62	0.87	1.12	1.37	1.62	1.87	2.50	3.50	4.50	5.50	6.50	7.50
		-	-	-	-	(5,206)	(5,429)	(5,335)	(5,240)	(43,529)	43,421	52,315	24,114	12,269	6,326

	Notes:	1/1/2030 12/31/2030 **2030**	1/1/2031 12/31/2031 **2031**	1/1/2032 12/31/2032 **2032**	1/1/2033 12/31/2033 **2033**	1/1/2034 12/31/2034 **2034**	1/1/2035 12/31/2035 **2035**	1/1/2036 12/31/2036 **2036**	1/1/2037 12/31/2037 **2037**	1/1/2038 12/31/2038 **2038**	1/1/2039 12/31/2039 **2039**	1/1/2040 12/31/2040 **2040**	1/1/2041 12/31/2041 **2041**	1/1/2042 12/31/2042 **2042**	1/1/2043 12/31/2043 **2043**
Net Production															
Oil (mbbl)		15	5	-	-	-	-	-	-	-	-	-	-	-	-
NGL (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		293	230	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Production (mboe)	(1)	307	235	-	-	-	-	-	-	-	-	-	-	-	-
Net Revenue	(1)	17,561	13,576	-	-	-	-	-	-	-	-	-	-	-	-
Net Opex	(1)	(11,460)	(11,750)	-	-	-	-	-	-	-	-	-	-	-	-
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		6,101	1,826	-	-	-	-	-	-	-	-	-	-	-	-
Discount Period		8.50	9.50	10.50	11.50	12.50	13.50	14.50	15.50	16.50	17.50	18.50	19.50	20.50	21.50
Present Value of Net Field Cash Flows @ 9.50%		2,851	779	-	-	-	-	-	-	-	-	-	-	-	-

Pre-Tax Field NPV		77,335
Tax Rate:	(2)	40.0%
Post-Tax Field NPV		**46,401**

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: December 31, 2021

Britsats Fields Summary of Values

Currency in USD Thousands (Unless otherwise noted)

Field Name	Post Tax Field NPV
Britannia	377,559
Callanish	83,929
Alder	77,223
Brodgar	24,816
Enochdhu	39,894
Total	**603,421**

Delek Group Ltd.

Exhibit 7.1

Ithaca Energy Ltd. Impairment Testing

Valuation Date: December 31, 2021
Britsats Field Cash Flows: Britannia
Currency in USD Thousands (Unless otherwise noted)

		1/1/2022 3/31/2022	4/1/2022 6/30/2022	7/1/2022 9/30/2022	10/1/2022 12/31/2022	1/1/2023 3/31/2023	4/1/2023 6/30/2023	7/1/2023 9/30/2023	10/1/2023 12/31/2023	1/1/2024 12/31/2024	1/1/2025 12/31/2025	1/1/2026 12/31/2026	1/1/2027 12/31/2027	1/1/2028 12/31/2028	1/1/2029 12/31/2029
Britannia	Notes:	**Q1 2022**	**Q2 2022**	**Q3 2022**	**Q4 2022**	**Q1 2023**	**Q2 2023**	**Q3 2023**	**Q4 2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Net Production															
Oil (mbbl)		73	74	75	75	68	69	70	70	255	234	216	196	181	167
NGL (mbbl)		40	40	41	41	38	38	38	38	140	129	118	108	99	92
Gas (mboe)		453	458	463	463	425	430	435	435	1,582	1,455	1,339	1,219	1,125	1,040
Total Net Production (mboe)	(1)	566	573	579	579	531	537	543	543	1,977	1,818	1,673	1,523	1,406	1,299
Net Revenue	(1)	74,032	74,854	75,677	75,677	44,067	44,782		45,739	124,429	107,969	93,540	87,220	82,205	78,076
Net Opex	(1)	(5,873)	(5,873)	(5,873)	(5,873)	(7,137)	(7,172)	(7,208)	(7,244)	(42,515)	(41,668)	(45,028)	(47,420)	(46,733)	(46,325)
Net Capex	(1)	(335)	(335)	(335)	(335)	(229)	(231)	(232)	(233)	(977)	(1,031)	-	(1,073)	-	(1,116)
Total Net Field Cash Flows		67,824	68,646	69,469	69,469	36,701	37,379	38,066	38,262	80,937	65,270	48,512	38,727	35,472	30,635
Discount Period		0.12	0.37	0.62	0.87	1.12	1.37	1.62	1.87	2.50	3.50	4.50	5.50	6.50	7.50
		67,069	67,111	66,395	64,894	33,516	33,373	33,226	32,641	65,225	48,025	32,597	23,765	19,879	15,675

		1/1/2030 12/31/2030	1/1/2031 12/31/2031	1/1/2032 12/31/2032	1/1/2033 12/31/2033	1/1/2034 12/31/2034	1/1/2035 12/31/2035	1/1/2036 12/31/2036	1/1/2037 12/31/2037	1/1/2038 12/31/2038	1/1/2039 12/31/2039	1/1/2040 12/31/2040	1/1/2041 12/31/2041	1/1/2042 12/31/2042	1/1/2043 12/31/2043
	Notes:	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**
Net Production															
Oil (mbbl)		152	137	124	92	-	-	-	-	-	-	-	-	-	-
NGL (mbbl)		84	75	68	51	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		946	850	768	574	-	-	-	-	-	-	-	-	-	-
Total Net Production (mboe)	(1)	1,182	1,063	960	718	-	-	-	-	-	-	-	-	-	-
Net Revenue	(1)	72,745	66,748	61,548	47,122	-	-	-	-	-	-	-	-	-	-
Net Opex	(1)	(50,413)	(47,866)	(50,123)	(38,889)	-	-	-	-	-	-	-	-	-	-
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		22,332	18,881	11,424	8,233	-	-	-	-	-	-	-	-	-	-
Discount Period		8.50	9.50	10.50	11.50	12.50	13.50	14.50	15.50	16.50	17.50	18.50	19.50	20.50	21.50
Present Value of Net Field Cash Flows @ 9.50%		10,435	8,057	4,452	2,929	-	-	-	-	-	-	-	-	-	-

Pre-Tax Field NPV		629,265
Tax Rate:	(2)	40.0%
Post-Tax Field NPV		**377,559**

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 7.2

Ithaca Energy Ltd. Impairment Testing

Valuation Date: December 31, 2021
Britsats Field Cash Flows: Callanish
Currency in USD Thousands (Unless otherwise noted)

		1/1/2022 3/31/2022	4/1/2022 6/30/2022	7/1/2022 9/30/2022	10/1/2022 12/31/2022	1/1/2023 3/31/2023	4/1/2023 6/30/2023	7/1/2023 9/30/2023	10/1/2023 12/31/2023	1/1/2024 12/31/2024	1/1/2025 12/31/2025	1/1/2026 12/31/2026	1/1/2027 12/31/2027	1/1/2028 12/31/2028	1/1/2029 12/31/2029
Callanish	Notes:	**Q1 2022**	**Q2 2022**	**Q3 2022**	**Q4 2022**	**Q1 2023**	**Q2 2023**	**Q3 2023**	**Q4 2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Net Production															
Oil (mbbl)		174	176	178	178	84	85	86	86	277	325	189	133	103	84
NGL (mbbl)		8	8	8	8	4	4	4	4	12	14	8	6	4	3
Gas (mboe)		24	25	25	25	11	12	12	12	37	44	25	17	13	11
Total Net Production (mboe)	(1)	206	208	211	211	99	100	101	101	326	382	222	156	121	99
Net Revenue	(1)	17,458	17,652	17,846	17,846	7,049	7,162		7,314	22,948	27,181	15,973	11,598	9,151	7,834
Net Opex	(1)	(967)	(967)	(967)	(967)	(716)	(720)	(723)	(727)	(3,150)	(2,781)	(2,714)	(2,629)	(2,526)	(2,413)
Net Capex	(1)	-	-	-	-	-	-	-	-	(8,861)	-	-	-	-	-
Total Net Field Cash Flows		16,492	16,686	16,880	16,880	6,333	6,443	6,554	6,587	10,937	24,400	13,259	8,969	6,625	5,421
Discount Period		0.12	0.37	0.62	0.87	1.12	1.37	1.62	1.87	2.50	3.50	4.50	5.50	6.50	7.50
		16,308	16,313	16,133	15,768	5,783	5,752	5,721	5,619	8,814	17,953	8,909	5,504	3,713	2,774

		1/1/2030 12/31/2030	1/1/2031 12/31/2031	1/1/2032 12/31/2032	1/1/2033 12/31/2033	1/1/2034 12/31/2034	1/1/2035 12/31/2035	1/1/2036 12/31/2036	1/1/2037 12/31/2037	1/1/2038 12/31/2038	1/1/2039 12/31/2039	1/1/2040 12/31/2040	1/1/2041 12/31/2041	1/1/2042 12/31/2042	1/1/2043 12/31/2043
	Notes:	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**
Net Production															
Oil (mbbl)		72	60	50	38	-	-	-	-	-	-	-	-	-	-
NGL (mbbl)		3	2	2	2	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		9	8	6	5	-	-	-	-	-	-	-	-	-	-
Total Net Production (mboe)	(1)	84	70	58	44	-	-	-	-	-	-	-	-	-	-
Net Revenue	(1)	6,864	5,865	4,985	3,894	-	-	-	-	-	-	-	-	-	-
Net Opex	(1)	(2,551)	(2,438)	(2,940)	(2,365)	-	-	-	-	-	-	-	-	-	-
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		4,312	3,427	2,045	1,529	-	-	-	-	-	-	-	-	-	-
Discount Period		8.50	9.50	10.50	11.50	12.50	13.50	14.50	15.50	16.50	17.50	18.50	19.50	20.50	21.50
Present Value of Net Field Cash Flows @ 9.50%		2,015	1,463	797	544	-	-	-	-	-	-	-	-	-	-

Pre-Tax Field NPV		139,882
Tax Rate:	(2)	40.0%
Post-Tax Field NPV		**83,929**

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 7.3

Ithaca Energy Ltd. Impairment Testing

Valuation Date: December 31, 2021
Britsats Field Cash Flows: Alder
Currency in USD Thousands (Unless otherwise noted)

		1/1/2022 3/31/2022	4/1/2022 6/30/2022	7/1/2022 9/30/2022	10/1/2022 12/31/2022	1/1/2023 3/31/2023	4/1/2023 6/30/2023	7/1/2023 9/30/2023	10/1/2023 12/31/2023	1/1/2024 12/31/2024	1/1/2025 12/31/2025	1/1/2026 12/31/2026	1/1/2027 12/31/2027	1/1/2028 12/31/2028	1/1/2029 12/31/2029
Alder	Notes:	**Q1 2022**	**Q2 2022**	**Q3 2022**	**Q4 2022**	**Q1 2023**	**Q2 2023**	**Q3 2023**	**Q4 2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Net Production															
Oil (mbbl)		40	41	41	41	27	27	27	27	70	46	-	-	-	-
NGL (mbbl)		11	11	11	11	7	7	7	7	19	13	-	-	-	-
Gas (mboe)		138	139	141	141	92	93	94	94	242	160	-	-	-	-
Total Net Production (mboe)	(1)	189	191	193	193	126	128	129	129	332	219	-	-	-	-
Net Revenue	(1)	23,830	24,095	24,360	24,360	10,356	10,524		10,749	21,184	13,310	-	-	-	-
Net Opex	(1)	(2,307)	(2,307)	(2,307)	(2,307)	(2,143)	(2,153)	(2,164)	(2,175)	(8,695)	(7,001)	-	-	-	-
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		21,524	21,789	22,053	22,053	8,214	8,371	8,530	8,574	12,489	6,309	-	-	-	-
Discount Period		0.12	0.37	0.62	0.87	1.12	1.37	1.62	1.87	2.50	3.50	4.50	5.50	6.50	7.50
		21,284	21,301	21,078	20,601	7,501	7,474	7,446	7,315	10,065	4,642	-	-	-	-

		1/1/2030 12/31/2030	1/1/2031 12/31/2031	1/1/2032 12/31/2032	1/1/2033 12/31/2033	1/1/2034 12/31/2034	1/1/2035 12/31/2035	1/1/2036 12/31/2036	1/1/2037 12/31/2037	1/1/2038 12/31/2038	1/1/2039 12/31/2039	1/1/2040 12/31/2040	1/1/2041 12/31/2041	1/1/2042 12/31/2042	1/1/2043 12/31/2043
	Notes:	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**
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		8.50	9.50	10.50	11.50	12.50	13.50	14.50	15.50	16.50	17.50	18.50	19.50	20.50	21.50
Present Value of Net Field Cash Flows @ 9.50%		-	-	-	(0)	-	-	-	-	-	-	-	-	-	-

Pre-Tax Field NPV		128,706
Tax Rate:	(2)	40.0%
Post-Tax Field NPV		**77,223**

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 7.4

Ithaca Energy Ltd. Impairment Testing

Valuation Date: December 31, 2021
Britsats Field Cash Flows: Brodgar
Currency in USD Thousands (Unless otherwise noted)

		1/1/2022 3/31/2022	4/1/2022 6/30/2022	7/1/2022 9/30/2022	10/1/2022 12/31/2022	1/1/2023 3/31/2023	4/1/2023 6/30/2023	7/1/2023 9/30/2023	10/1/2023 12/31/2023	1/1/2024 12/31/2024	1/1/2025 12/31/2025	1/1/2026 12/31/2026	1/1/2027 12/31/2027	1/1/2028 12/31/2028	1/1/2029 12/31/2029
Brodgar	Notes:	**Q1 2022**	**Q2 2022**	**Q3 2022**	**Q4 2022**	**Q1 2023**	**Q2 2023**	**Q3 2023**	**Q4 2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Net Production															
Oil (mbbl)		15	16	16	16	8	8	8	8	1	-	-	-	-	-
NGL (mbbl)		8	8	9	9	5	5	5	5	1	-	-	-	-	-
Gas (mboe)		47	48	48	48	26	26	27	27	4	-	-	-	-	-
Total Net Production (mboe)	(1)	71	72	73	73	39	39	40	40	6	-	-	-	-	-
Net Revenue	(1)	8,563	8,659	8,754	8,754	3,113	3,163		3,231	380	-	-	-	-	-
Net Opex	(1)	(380)	(380)	(380)	(380)	(324)	(326)	(327)	(329)	(144)	-	-	-	-	-
Net Capex	(1)	(237)	(237)	(237)	(237)	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		7,946	8,041	8,136	8,136	2,788	2,837	2,887	2,901	235	-	-	-	-	-
Discount Period		0.12	0.37	0.62	0.87	1.12	1.37	1.62	1.87	2.50	3.50	4.50	5.50	6.50	7.50
		7,858	7,861	7,776	7,601	2,546	2,533	2,520	2,475	190	-	-	-	-	-

		1/1/2030 12/31/2030	1/1/2031 12/31/2031	1/1/2032 12/31/2032	1/1/2033 12/31/2033	1/1/2034 12/31/2034	1/1/2035 12/31/2035	1/1/2036 12/31/2036	1/1/2037 12/31/2037	1/1/2038 12/31/2038	1/1/2039 12/31/2039	1/1/2040 12/31/2040	1/1/2041 12/31/2041	1/1/2042 12/31/2042	1/1/2043 12/31/2043
	Notes:	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**
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		8.50	9.50	10.50	11.50	12.50	13.50	14.50	15.50	16.50	17.50	18.50	19.50	20.50	21.50
Present Value of Net Field Cash Flows @ 9.50%		-	-	-	(0)	-	-	-	-	-	-	-	-	-	-

Pre-Tax Field NPV		41,360
Tax Rate:	(2)	40.0%
Post-Tax Field NPV		**24,816**

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 7.5

Ithaca Energy Ltd. Impairment Testing

Valuation Date: December 31, 2021
Britsats Field Cash Flows: Enochdhu
Currency in USD Thousands (Unless otherwise noted)

		1/1/2022 3/31/2022	4/1/2022 6/30/2022	7/1/2022 9/30/2022	10/1/2022 12/31/2022	1/1/2023 3/31/2023	4/1/2023 6/30/2023	7/1/2023 9/30/2023	10/1/2023 12/31/2023	1/1/2024 12/31/2024	1/1/2025 12/31/2025	1/1/2026 12/31/2026	1/1/2027 12/31/2027	1/1/2028 12/31/2028	1/1/2029 12/31/2029
Enochdhu	Notes:	**Q1 2022**	**Q2 2022**	**Q3 2022**	**Q4 2022**	**Q1 2023**	**Q2 2023**	**Q3 2023**	**Q4 2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Net Production															
Oil (mbbl)		53	54	54	54	64	65	66	66	224	193	167	145	127	112
NGL (mbbl)		9	9	9	9	11	11	11	11	38	32	28	24	21	19
Gas (mboe)		6	6	6	6	7	7	7	7	25	21	19	16	14	12
Total Net Production (mboe)	(1)	68	69	69	69	82	83	84	84	287	247	213	186	163	143
Net Revenue	(1)	5,466	5,527	5,588	5,588	5,668	5,760		5,882	19,742	17,186	15,064	13,560	12,111	11,161
Net Opex	(1)	(1,334)	(1,334)	(1,334)	(1,334)	(1,540)	(1,548)	(1,555)	(1,563)	(6,995)	(6,895)	(7,080)	(7,112)	(7,037)	(6,896)
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		4,132	4,193	4,254	4,254	4,128	4,212	4,297	4,318	12,747	10,291	7,984	6,448	5,074	4,265
Discount Period		0.12	0.37	0.62	0.87	1.12	1.37	1.62	1.87	2.50	3.50	4.50	5.50	6.50	7.50
		4,086	4,099	4,065	3,973	3,770	3,761	3,750	3,684	10,272	7,572	5,365	3,957	2,844	2,182

		1/1/2030 12/31/2030	1/1/2031 12/31/2031	1/1/2032 12/31/2032	1/1/2033 12/31/2033	1/1/2034 12/31/2034	1/1/2035 12/31/2035	1/1/2036 12/31/2036	1/1/2037 12/31/2037	1/1/2038 12/31/2038	1/1/2039 12/31/2039	1/1/2040 12/31/2040	1/1/2041 12/31/2041	1/1/2042 12/31/2042	1/1/2043 12/31/2043
	Notes:	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**
Net Production															
Oil (mbbl)		99	88	78	59	-	-	-	-	-	-	-	-	-	-
NGL (mbbl)		17	15	13	10	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		11	10	9	7	-	-	-	-	-	-	-	-	-	-
Total Net Production (mboe)	(1)	127	112	100	75	-	-	-	-	-	-	-	-	-	-
Net Revenue	(1)	10,197	9,237	8,402	6,533	-	-	-	-	-	-	-	-	-	-
Net Opex	(1)	(7,141)	(7,067)	(7,212)	(5,716)	-	-	-	-	-	-	-	-	-	-
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		3,056	2,170	1,190	817	-	-	-	-	-	-	-	-	-	-
Discount Period		8.50	9.50	10.50	11.50	12.50	13.50	14.50	15.50	16.50	17.50	18.50	19.50	20.50	21.50
Present Value of Net Field Cash Flows @ 9.50%		1,428	926	464	291	-	-	-	-	-	-	-	-	-	-
Pre-Tax Field NPV		66,489													
Tax Rate:	(2)	40.0%													
Post-Tax Field NPV		**39,894**													

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 8.0

Valuation Date: December 31, 2021
Field Cash Flows: Cook
Currency in USD Thousands (Unless otherwise noted)

		1/1/2022 3/31/2022	4/1/2022 6/30/2022	7/1/2022 9/30/2022	10/1/2022 12/31/2022	1/1/2023 3/31/2023	4/1/2023 6/30/2023	7/1/2023 9/30/2023	10/1/2023 12/31/2023	1/1/2024 12/31/2024	1/1/2025 12/31/2025	1/1/2026 12/31/2026	1/1/2027 12/31/2027	1/1/2028 12/31/2028	1/1/2029 12/31/2029
Cook	Notes:	**Q1 2021**	**Q2 2021**	**Q3 2021**	**Q4 2021**	**Q1 2022**	**Q2 2022**	**Q3 2022**	**Q4 2022**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Net Production															
Oil (mbbl)		196	198	200	200	217	219	222	222	1,172	1,571	1,952	1,289	901	696
NGL (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		39	39	40	40	10	10	10	10	53	71	91	61	43	33
Total Net Production (mboe)	(1)	234	237	240	240	227	230	232	232	1,225	1,642	2,043	1,350	944	729
Net Revenue	(1)	23,939	24,205	24,471	24,471	16,198	16,459		16,807	87,960	119,520	150,846	103,115	73,567	59,520
Net Opex	(1)	(6,671)	(6,671)	(6,671)	(6,671)	(7,068)	(7,103)	(7,138)	(7,174)	(31,642)	(32,807)	(37,734)	(38,394)	(43,503)	(33,440)
Net Capex	(1)	-	-	-	-	-	-	-	-	(23,289)	-	-	-	-	-
Total Net Field Cash Flows		17,268	17,534	17,800	17,800	9,130	9,356	9,585	9,633	33,029	86,713	113,112	64,721	30,064	26,080
Discount Period		0.12	0.37	0.62	0.87	1.12	1.37	1.62	1.87	2.50	3.50	4.50	5.50	6.50	7.50
		17,076	17,141	17,012	16,627	8,338	8,354	8,366	8,218	26,618	63,802	76,005	39,716	16,848	13,344

		1/1/2030 12/31/2030	1/1/2031 12/31/2031	1/1/2032 12/31/2032	1/1/2033 12/31/2033	1/1/2034 12/31/2034	1/1/2035 12/31/2035	1/1/2036 12/31/2036	1/1/2037 12/31/2037	1/1/2038 12/31/2038	1/1/2039 12/31/2039	1/1/2040 12/31/2040	1/1/2041 12/31/2041	1/1/2042 12/31/2042	1/1/2043 12/31/2043
	Notes:	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**
Net Production															
Oil (mbbl)		568	480	381	168	151	116	-	-	-	-	-	-	-	-
NGL (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		27	23	18	8	8	6	-	-	-	-	-	-	-	-
Total Net Production (mboe)	(1)	595	503	399	177	159	121	-	-	-	-	-	-	-	-
Net Revenue	(1)	50,205	43,311	35,033	16,033	14,722	11,473	-	-	-	-	-	-	-	-
Net Opex	(1)	(31,215)	(30,930)	(27,801)	(12,166)	(11,309)	(10,455)	-	-	-	-	-	-	-	-
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		18,990	12,381	7,231	3,867	3,414	1,018	-	-	-	-	-	-	-	-
Discount Period		8.50	9.50	10.50	11.50	12.50	13.50	14.50	15.50	16.50	17.50	18.50	19.50	20.50	21.50
Present Value of Net Field Cash Flows @ 9.50%		8,874	5,283	2,818	1,376	1,109	302	-	-	-	-	-	-	-	-

Pre-Tax Field NPV		357,228
Tax Rate:	(2)	40.0%
Post-Tax Field NPV		**214,337**

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 9.0

Valuation Date: December 31, 2021
Field Cash Flows: Pierce
Currency in USD Thousands (Unless otherwise noted)

		1/1/2022 3/31/2022	4/1/2022 6/30/2022	7/1/2022 9/30/2022	10/1/2022 12/31/2022	1/1/2023 3/31/2023	4/1/2023 6/30/2023	7/1/2023 9/30/2023	10/1/2023 12/31/2023	1/1/2024 12/31/2024	1/1/2025 12/31/2025	1/1/2026 12/31/2026	1/1/2027 12/31/2027	1/1/2028 12/31/2028	1/1/2029 12/31/2029
Pierce	Notes:	**Q1 2021**	**Q2 2021**	**Q3 2021**	**Q4 2021**	**Q1 2022**	**Q2 2022**	**Q3 2022**	**Q4 2022**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Net Production															
Oil (mbbl)		63	63	64	64	73	74	75	75	280	245	212	176	143	95
NGL (mbbl)		52	53	53	53	69	70	71	71	277	250	220	184	144	90
Gas (mboe)		76	77	78	78	101	102	103	103	403	364	321	268	209	131
Total Net Production (mboe)	(1)	191	193	195	195	244	247	249	249	960	859	753	627	495	315
Net Revenue	(1)	16,402	16,585	16,767	16,767	15,096	15,340		15,667	51,235	44,717	38,234	32,805	26,541	17,677
Net Opex	(1)	(2,515)	(2,515)	(2,515)	(2,515)	(2,845)	(2,860)	(2,874)	(2,888)	(11,632)	(11,430)	(11,185)	(10,737)	(10,181)	(9,137)
Net Capex	(1)	(1,084)	(1,084)	(1,084)	(1,084)	(242)	(243)	(245)	(246)	-	-	-	-	-	-
Total Net Field Cash Flows		12,804	12,986	13,168	13,168	12,008	12,238	12,470	12,533	39,604	33,287	27,050	22,068	16,360	8,540
Discount Period		0.12	0.37	0.62	0.87	1.12	1.37	1.62	1.87	2.50	3.50	4.50	5.50	6.50	7.50
		12,661	12,696	12,586	12,301	10,967	10,926	10,884	10,692	31,916	24,492	18,176	13,542	9,168	4,370

		1/1/2030 12/31/2030	1/1/2031 12/31/2031	1/1/2032 12/31/2032	1/1/2033 12/31/2033	1/1/2034 12/31/2034	1/1/2035 12/31/2035	1/1/2036 12/31/2036	1/1/2037 12/31/2037	1/1/2038 12/31/2038	1/1/2039 12/31/2039	1/1/2040 12/31/2040	1/1/2041 12/31/2041	1/1/2042 12/31/2042	1/1/2043 12/31/2043
	Notes:	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**
Net Production															
Oil (mbbl)		74	65	54	-	-	-	-	-	-	-	-	-	-	-
NGL (mbbl)		71	64	56	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		103	93	81	-	-	-	-	-	-	-	-	-	-	-
Total Net Production (mboe)	(1)	247	222	191	-	-	-	-	-	-	-	-	-	-	-
Net Revenue	(1)	14,269	13,005	11,373	-	-	-	-	-	-	-	-	-	-	-
Net Opex	(1)	(8,857)	(8,892)	(8,862)	-	-	-	-	-	-	-	-	-	-	-
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		5,411	4,112	2,511	-	-	-	-	-	-	-	-	-	-	-
Discount Period		8.50	9.50	10.50	11.50	12.50	13.50	14.50	15.50	16.50	17.50	18.50	19.50	20.50	21.50
Present Value of Net Field Cash Flows @ 9.50%		2,529	1,755	978	-	-	-	-	-	-	-	-	-	-	-
Pre-Tax Field NPV		200,638													
Tax Rate:	(2)	40.0%													
Post-Tax Field NPV		**120,383**													

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 10.0

Valuation Date: December 31, 2021
Field Cash Flows: Austen
Currency in USD Thousands (Unless otherwise noted)

Austen	Notes:	1/1/2022 3/31/2022 **Q1 2021**	4/1/2022 6/30/2022 **Q2 2021**	7/1/2022 9/30/2022 **Q3 2021**	10/1/2022 12/31/2022 **Q4 2021**	1/1/2023 3/31/2023 **Q1 2022**	4/1/2023 6/30/2023 **Q2 2022**	7/1/2023 9/30/2023 **Q3 2022**	10/1/2023 12/31/2023 **Q4 2022**	1/1/2024 12/31/2024 **2024**	1/1/2025 12/31/2025 **2025**	1/1/2026 12/31/2026 **2026**	1/1/2027 12/31/2027 **2027**	1/1/2028 12/31/2028 **2028**	1/1/2029 12/31/2029 **2029**
Net Production															
Oil (mbbl)		-	-	-	-	-	-	-	-	-	2,835	2,090	664	159	5
NGL (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		-	-	-	-	-	-	-	-	-	2,573	2,807	1,960	776	35
Total Net Production (mboe)	(1)	-	-	-	-	-	-	-	-	-	5,408	4,897	2,625	935	40
Net Revenue	(1)	-	-	-	-	-	-		-	-	362,345	312,048	163,420	57,923	2,524
Net Opex	(1)	-	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(64,264)	(61,920)	(38,287)	(18,293)	(1,010)
Net Capex	(1)	-	-	-	-	(36,068)	(36,247)	(36,428)	(36,611)	(82,412)	-	-	-	-	-
Total Net Field Cash Flows		-	(0)	(0)	(0)	(36,068)	(36,247)	(36,428)	(36,611)	(82,412)	298,081	250,128	125,133	39,630	1,514
Discount Period		0.12	0.37	0.62	0.87	1.12	1.37	1.62	1.87	2.50	3.50	4.50	5.50	6.50	7.50
		-	(0)	(0)	(0)	(32,939)	(32,362)	(31,796)	(31,232)	(66,414)	219,322	168,072	76,788	22,209	775

	Notes:	1/1/2030 12/31/2030 **2030**	1/1/2031 12/31/2031 **2031**	1/1/2032 12/31/2032 **2032**	1/1/2033 12/31/2033 **2033**	1/1/2034 12/31/2034 **2034**	1/1/2035 12/31/2035 **2035**	1/1/2036 12/31/2036 **2036**	1/1/2037 12/31/2037 **2037**	1/1/2038 12/31/2038 **2038**	1/1/2039 12/31/2039 **2039**	1/1/2040 12/31/2040 **2040**	1/1/2041 12/31/2041 **2041**	1/1/2042 12/31/2042 **2042**	1/1/2043 12/31/2043 **2043**
Net Production															
Oil (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
NGL (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Production (mboe)	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Revenue	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Opex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Discount Period		8.50	9.50	10.50	11.50	12.50	13.50	14.50	15.50	16.50	17.50	18.50	19.50	20.50	21.50
Present Value of Net Field Cash Flows @ 9.50%		-	-	-	-	-	-	-	-	-	-	-	-	-	-

Pre-Tax Field NPV		292,422
Tax Rate:	(2)	40.0%
Post-Tax Field NPV		**175,453**

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 11.0

Valuation Date: December 31, 2021

Field Cash Flows: Isabella

Currency in USD Thousands (Unless otherwise noted)

Isabella	Notes:	1/1/2022 3/31/2022 **Q1 2021**	4/1/2022 6/30/2022 **Q2 2021**	7/1/2022 9/30/2022 **Q3 2021**	10/1/2022 12/31/2022 **Q4 2021**	1/1/2023 3/31/2023 **Q1 2022**	4/1/2023 6/30/2023 **Q2 2022**	7/1/2023 9/30/2023 **Q3 2022**	10/1/2023 12/31/2023 **Q4 2022**	1/1/2024 12/31/2024 **2024**	1/1/2025 12/31/2025 **2025**	1/1/2026 12/31/2026 **2026**	1/1/2027 12/31/2027 **2027**	1/1/2028 12/31/2028 **2028**	1/1/2029 12/31/2029 **2029**
Net Production															
Oil (mbbl)		-	-	-	-	-	-	-	-	-	-	185	556	487	335
NGL (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		-	-	-	-	-	-	-	-	-	-	64	192	168	115
Total Net Production (mboe)	(1)	-	-	-	-	-	-	-	-	-	-	249	748	655	450
Net Revenue	(1)	-	-	-	-	-	-		-	-	-	16,938	52,452	46,873	33,618
Net Opex	(1)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(2,911)	(8,909)	(8,056)	(5,894)
Net Capex	(1)	(1,837)	(1,837)	(1,837)	(1,837)	(1,087)	(1,093)	(1,098)	(1,104)	(1,641)	(19,864)	(18,743)	(11,024)	(5,018)	-
Total Net Field Cash Flows		(1,837)	(1,837)	(1,837)	(1,837)	(1,087)	(1,093)	(1,098)	(1,104)	(1,641)	(19,864)	(4,717)	32,519	33,799	27,724
Discount Period		0.12	0.37	0.62	0.87	1.12	1.37	1.62	1.87	2.50	3.50	4.50	5.50	6.50	7.50
		(1,817)	(1,796)	(1,756)	(1,716)	(993)	(975)	(958)	(941)	(1,322)	(14,615)	(3,169)	19,955	18,941	14,185

	Notes:	1/1/2030 12/31/2030 **2030**	1/1/2031 12/31/2031 **2031**	1/1/2032 12/31/2032 **2032**	1/1/2033 12/31/2033 **2033**	1/1/2034 12/31/2034 **2034**	1/1/2035 12/31/2035 **2035**	1/1/2036 12/31/2036 **2036**	1/1/2037 12/31/2037 **2037**	1/1/2038 12/31/2038 **2038**	1/1/2039 12/31/2039 **2039**	1/1/2040 12/31/2040 **2040**	1/1/2041 12/31/2041 **2041**	1/1/2042 12/31/2042 **2042**	1/1/2043 12/31/2043 **2043**
Net Production															
Oil (mbbl)		235	169	124	92	70	54	42	33	26	21	17	14	4	-
NGL (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		81	58	43	32	24	19	14	11	9	7	6	5	1	-
Total Net Production (mboe)	(1)	316	227	166	124	94	72	56	45	36	29	23	19	6	-
Net Revenue	(1)	24,325	17,817	13,323	10,260	7,940	6,234	5,015	4,037	3,321	2,728	2,262	1,891	565	-
Net Opex	(1)	(4,459)	(3,499)	(2,842)	(2,383)	(2,056)	(1,821)	(1,650)	(1,525)	(1,433)	(1,366)	(1,318)	(1,284)	(425)	-
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		19,866	14,318	10,481	7,877	5,884	4,414	3,365	2,512	1,887	1,362	944	607	139	-
Discount Period		8.50	9.50	10.50	11.50	12.50	13.50	14.50	15.50	16.50	17.50	18.50	19.50	20.50	21.50
Present Value of Net Field Cash Flows @ 9.50%		9,283	6,110	4,085	2,803	1,912	1,310	912	622	427	281	178	104	22	-

Pre-Tax Field NPV		51,069
Tax Rate:	(2)	40.0%
Post-Tax Field NPV		**30,642**

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 12.0

Ithaca Energy Ltd. Impairment Testing

Valuation Date: December 31, 2021
Field Cash Flows: Captain
Currency in USD Thousands (Unless otherwise noted)

		1/1/2022 3/31/2022	4/1/2022 6/30/2022	7/1/2022 9/30/2022	10/1/2022 12/31/2022	1/1/2023 3/31/2023	4/1/2023 6/30/2023	7/1/2023 9/30/2023	10/1/2023 12/31/2023	1/1/2024 12/31/2024	1/1/2025 12/31/2025	1/1/2026 12/31/2026	1/1/2027 12/31/2027	1/1/2028 12/31/2028	1/1/2029 12/31/2029
Captain	Notes:	**Q1 2022**	**Q2 2022**	**Q3 2022**	**Q4 2022**	**Q1 2023**	**Q2 2023**	**Q3 2023**	**Q4 2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Net Production															
Oil (mbbl)		1,860	1,881	1,901	1,901	2,086	2,109	2,133	2,133	7,006	13,112	13,618	9,328	7,617	7,332
NGL (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Production (mboe)	(1)	1,860	1,881	1,901	1,901	2,086	2,109	2,133	2,133	7,006	13,112	13,618	9,328	7,617	7,332
Net Revenue	(1)	146,009	147,632	149,254	149,254	147,797	150,179		153,353	513,908	981,045	1,039,284	736,433	613,415	619,105
Net Opex	(1)	(30,132)	(30,132)	(30,132)	(30,132)	(31,629)	(31,785)	(31,944)	(32,104)	(126,227)	(147,852)	(151,684)	(141,052)	(136,358)	(137,712)
Net Capex	(1)	(59,399)	(59,399)	(59,399)	(59,399)	(53,928)	(54,195)	(54,467)	(54,739)	(181,108)	(245,821)	(158,441)	(164,688)	(117,403)	(149,651)
Total Net Field Cash Flows		56,479	58,101	59,724	59,724	62,240	64,198	66,178	66,509	206,573	587,372	729,160	430,693	359,654	331,742
Discount Period		0.12	0.37	0.62	0.87	1.12	1.37	1.62	1.87	2.50	3.50	4.50	5.50	6.50	7.50
		55,851	56,801	57,081	55,790	56,840	57,317	57,763	56,739	166,473	432,176	489,955	264,294	201,554	169,740

		1/1/2030 12/31/2030	1/1/2031 12/31/2031	1/1/2032 12/31/2032	1/1/2033 12/31/2033	1/1/2034 12/31/2034	1/1/2035 12/31/2035	1/1/2036 12/31/2036	1/1/2037 12/31/2037	1/1/2038 12/31/2038	1/1/2039 12/31/2039	1/1/2040 12/31/2040	1/1/2041 12/31/2041	1/1/2042 12/31/2042	1/1/2043 12/31/2043
	Notes:	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**
Net Production															
Oil (mbbl)		5,534	3,564	2,767	2,213	665	-	-	-	-	-	-	-	-	-
NGL (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Production (mboe)	(1)	5,534	3,564	2,767	2,213	665	-	-	-	-	-	-	-	-	-
Net Revenue	(1)	483,133	317,327	251,335	207,732	63,663	-	-	-	-	-	-	-	-	-
Net Opex	(1)	(135,330)	(128,608)	(127,666)	(125,571)	(42,210)	-	-	-	-	-	-	-	-	-
Net Capex	(1)	(20,152)	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		327,651	188,718	123,669	82,161	21,453	-	-	-	-	-	-	-	-	-
Discount Period		8.50	9.50	10.50	11.50	12.50	13.50	14.50	15.50	16.50	17.50	18.50	19.50	20.50	21.50
Present Value of Net Field Cash Flows @ 9.50%		153,102	80,532	48,195	29,234	6,971	-	-	-	-	-	-	-	-	-

Pre-Tax Field NPV		2,496,408
Tax Rate:	(2)	40.0%
Post-Tax Field NPV		**1,497,845**

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 13.0

Ithaca Energy Ltd. Impairment Testing

Valuation Date: December 31, 2021
Field Cash Flows: Alba
Currency in USD Thousands (Unless otherwise noted)

		1/1/2022 3/31/2022	4/1/2022 6/30/2022	7/1/2022 9/30/2022	10/1/2022 12/31/2022	1/1/2023 3/31/2023	4/1/2023 6/30/2023	7/1/2023 9/30/2023	10/1/2023 12/31/2023	1/1/2024 12/31/2024	1/1/2025 12/31/2025	1/1/2026 12/31/2026	1/1/2027 12/31/2027	1/1/2028 12/31/2028	1/1/2029 12/31/2029
Alba	Notes:	**Q1 2022**	**Q2 2022**	**Q3 2022**	**Q4 2022**	**Q1 2023**	**Q2 2023**	**Q3 2023**	**Q4 2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Net Production															
Oil (mbbl)		232	234	237	237	358	362	366	366	1,548	1,110	2,798	2,097	810	417
NGL (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		-	-	-	-	-	-	-	-	-	-	637	726	405	139
Total Net Production (mboe)	(1)	232	234	237	237	358	362	366	366	1,548	1,110	3,435	2,822	1,215	555
Net Revenue	(1)	17,138	17,329	17,519	17,519	23,727	24,110		24,619	106,334	77,758	231,125	191,341	81,740	40,231
Net Opex	(1)	(12,458)	(12,458)	(12,458)	(12,458)	(13,352)	(13,418)	(13,485)	(13,552)	(55,540)	(54,908)	(88,553)	(88,330)	(37,561)	(21,848)
Net Capex	(1)	(4,734)	(4,734)	(4,734)	(4,734)	(12,590)	(12,652)	(12,715)	(12,779)	(57,324)	(84,690)	(17,505)	(1,822)	-	-
Total Net Field Cash Flows		(54)	137	327	327	(2,214)	(1,960)	(1,703)	(1,712)	(6,530)	(61,840)	125,068	101,188	44,180	18,383
Discount Period		0.12	0.37	0.62	0.87	1.12	1.37	1.62	1.87	2.50	3.50	4.50	5.50	6.50	7.50
		(53)	134	313	306	(2,022)	(1,750)	(1,487)	(1,460)	(5,262)	(45,500)	84,039	62,094	24,759	9,406

		1/1/2030 12/31/2030	1/1/2031 12/31/2031	1/1/2032 12/31/2032	1/1/2033 12/31/2033	1/1/2034 12/31/2034	1/1/2035 12/31/2035	1/1/2036 12/31/2036	1/1/2037 12/31/2037	1/1/2038 12/31/2038	1/1/2039 12/31/2039	1/1/2040 12/31/2040	1/1/2041 12/31/2041	1/1/2042 12/31/2042	1/1/2043 12/31/2043
	Notes:	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**
Net Production															
Oil (mbbl)		272	187	124	-	-	-	-	-	-	-	-	-	-	-
NGL (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		55	38	25	-	-	-	-	-	-	-	-	-	-	-
Total Net Production (mboe)	(1)	327	225	149	-	-	-	-	-	-	-	-	-	-	-
Net Revenue	(1)	25,249	17,673	11,932	-	-	-	-	-	-	-	-	-	-	-
Net Opex	(1)	(17,395)	(14,719)	(11,600)	-	-	-	-	-	-	-	-	-	-	-
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		7,854	2,954	332	-	-	-	-	-	-	-	-	-	-	-
Discount Period		8.50	9.50	10.50	11.50	12.50	13.50	14.50	15.50	16.50	17.50	18.50	19.50	20.50	21.50
Present Value of Net Field Cash Flows @ 9.50%		3,670	1,260	129	-	-	-	-	-	-	-	-	-	-	-

Pre-Tax Field NPV		128,575
Tax Rate:	(2)	40.0%
Post-Tax Field NPV		**77,145**

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 14.0

Ithaca Energy Ltd. Impairment Testing

Valuation Date: December 31, 2021
Field Cash Flows: Erksine
Currency in USD Thousands (Unless otherwise noted)

		1/1/2022 3/31/2022	4/1/2022 6/30/2022	7/1/2022 9/30/2022	10/1/2022 12/31/2022	1/1/2023 3/31/2023	4/1/2023 6/30/2023	7/1/2023 9/30/2023	10/1/2023 12/31/2023	1/1/2024 12/31/2024	1/1/2025 12/31/2025	1/1/2026 12/31/2026	1/1/2027 12/31/2027	1/1/2028 12/31/2028	1/1/2029 12/31/2029
Erskine	Notes:	**Q1 2022**	**Q2 2022**	**Q3 2022**	**Q4 2022**	**Q1 2023**	**Q2 2023**	**Q3 2023**	**Q4 2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Net Production															
Oil (mbbl)		205	207	210	210	175	177	179	179	663	716	677	564	370	259
NGL (mbbl)		22	22	23	23	18	19	19	19	63	64	61	50	30	19
Gas (mboe)		282	285	288	288	234	237	239	239	892	976	922	762	499	353
Total Net Production (mboe)	(1)	509	515	520	520	427	432	437	437	1,618	1,756	1,660	1,376	899	632
Net Revenue	(1)	57,580	58,219	58,859	58,859	33,382	33,923		34,645	105,819	111,413	102,176	87,149	58,146	42,269
Net Opex	(1)	(10,601)	(10,601)	(10,601)	(10,601)	(10,224)	(10,275)	(10,326)	(10,378)	(42,110)	(44,056)	(44,913)	(44,611)	(31,843)	(23,350)
Net Capex	(1)	(45)	(45)	(45)	(45)	-	-	-	-	(11,920)	(33,647)	-	-	-	-
Total Net Field Cash Flows		46,934	47,573	48,213	48,213	23,158	23,648	24,144	24,267	51,789	33,710	57,262	42,539	26,303	18,919
Discount Period		0.12	0.37	0.62	0.87	1.12	1.37	1.62	1.87	2.50	3.50	4.50	5.50	6.50	7.50
		46,411	46,509	46,080	45,038	21,149	21,113	21,074	20,702	41,736	24,803	38,477	26,104	14,740	9,680

		1/1/2030 12/31/2030	1/1/2031 12/31/2031	1/1/2032 12/31/2032	1/1/2033 12/31/2033	1/1/2034 12/31/2034	1/1/2035 12/31/2035	1/1/2036 12/31/2036	1/1/2037 12/31/2037	1/1/2038 12/31/2038	1/1/2039 12/31/2039	1/1/2040 12/31/2040	1/1/2041 12/31/2041	1/1/2042 12/31/2042	1/1/2043 12/31/2043
	Notes:	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**
Net Production															
Oil (mbbl)		208	168	89	-	-	-	-	-	-	-	-	-	-	-
NGL (mbbl)		15	11	6	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		285	231	123	-	-	-	-	-	-	-	-	-	-	-
Total Net Production (mboe)	(1)	508	410	218	-	-	-	-	-	-	-	-	-	-	-
Net Revenue	(1)	34,914	28,795	15,611	-	-	-	-	-	-	-	-	-	-	-
Net Opex	(1)	(23,162)	(22,972)	(13,594)	-	-	-	-	-	-	-	-	-	-	-
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		11,752	5,823	2,017	-	-	-	-	-	-	-	-	-	-	-
Discount Period		8.50	9.50	10.50	11.50	12.50	13.50	14.50	15.50	16.50	17.50	18.50	19.50	20.50	21.50
Present Value of Net Field Cash Flows @ 9.50%		5,491	2,485	786	-	-	-	-	-	-	-	-	-	-	-
Pre-Tax Field NPV		432,379													
Tax Rate:	(2)	40.0%													
Post-Tax Field NPV		**259,428**													

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 15.0

Ithaca Energy Ltd. Impairment Testing

Valuation Date: December 31, 2021
Field Cash Flows: Elgin Franklin & W Franklin
Currency in USD Thousands (Unless otherwise noted)

		1/1/2022 3/31/2022	4/1/2022 6/30/2022	7/1/2022 9/30/2022	10/1/2022 12/31/2022	1/1/2023 3/31/2023	4/1/2023 6/30/2023	7/1/2023 9/30/2023	10/1/2023 12/31/2023	1/1/2024 12/31/2024	1/1/2025 12/31/2025	1/1/2026 12/31/2026	1/1/2027 12/31/2027	1/1/2028 12/31/2028	1/1/2029 12/31/2029
Elgin Franklin & W Franklin	Notes:	**Q1 2022**	**Q2 2022**	**Q3 2022**	**Q4 2022**	**Q1 2023**	**Q2 2023**	**Q3 2023**	**Q4 2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Net Production															
Oil (mbbl)		114	115	117	117	89	90	91	91	291	252	225	196	168	135
NGL (mbbl)		42	42	43	43	34	34	35	35	112	97	88	77	66	53
Gas (mboe)		225	228	230	230	183	185	187	187	608	528	474	415	356	288
Total Net Production (mboe)	(1)	381	385	390	390	306	309	313	313	1,012	877	787	687	590	477
Net Revenue	(1)	43,035	43,514	43,992	43,992	23,519	23,900		24,409	63,635	53,158	45,972	41,222	36,115	30,195
Net Opex	(1)	(2,879)	(2,879)	(2,879)	(2,879)	(2,633)	(2,646)	(2,659)	(2,672)	(9,962)	(9,648)	(9,485)	(9,171)	(8,802)	(8,292)
Net Capex	(1)	(1,486)	(1,486)	(1,486)	(1,486)	(446)	(449)	(451)	(453)	(1,218)	(4,257)	(276)	(667)	(995)	(728)
Total Net Field Cash Flows		38,670	39,148	39,627	39,627	20,439	20,805	21,176	21,284	52,456	39,253	36,211	31,385	26,318	21,174
Discount Period		0.12	0.37	0.62	0.87	1.12	1.37	1.62	1.87	2.50	3.50	4.50	5.50	6.50	7.50
		38,240	38,273	37,873	37,017	18,666	18,575	18,483	18,157	42,273	28,882	24,332	19,259	14,749	10,834

		1/1/2030 12/31/2030	1/1/2031 12/31/2031	1/1/2032 12/31/2032	1/1/2033 12/31/2033	1/1/2034 12/31/2034	1/1/2035 12/31/2035	1/1/2036 12/31/2036	1/1/2037 12/31/2037	1/1/2038 12/31/2038	1/1/2039 12/31/2039	1/1/2040 12/31/2040	1/1/2041 12/31/2041	1/1/2042 12/31/2042	1/1/2043 12/31/2043
	Notes:	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**
Net Production															
Oil (mbbl)		113	92	79	64	44	38	35	16	-	-	-	-	-	-
NGL (mbbl)		45	36	31	25	17	15	14	7	-	-	-	-	-	-
Gas (mboe)		241	197	168	137	94	82	75	36	-	-	-	-	-	-
Total Net Production (mboe)	(1)	399	325	278	226	155	135	124	59	-	-	-	-	-	-
Net Revenue	(1)	25,916	21,596	18,823	15,739	11,001	9,732	9,229	4,439	-	-	-	-	-	-
Net Opex	(1)	(7,993)	(7,651)	(7,512)	(7,311)	(6,874)	(6,870)	(6,955)	(3,529)	-	-	-	-	-	-
Net Capex	(1)	(1,668)	(3,654)	(419)	(593)	(668)	(325)	(626)	-	-	-	-	-	-	-
Total Net Field Cash Flows		16,254	10,291	10,892	7,835	3,459	2,537	1,648	911	-	-	-	-	-	-
Discount Period		8.50	9.50	10.50	11.50	12.50	13.50	14.50	15.50	16.50	17.50	18.50	19.50	20.50	21.50
Present Value of Net Field Cash Flows @ 9.50%		7,595	4,392	4,245	2,788	1,124	753	447	225	-	-	-	-	-	-

Pre-Tax Field NPV		387,181
Tax Rate:	(2)	40.0%
Post-Tax Field NPV		**232,309**

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 16.0

Ithaca Energy Ltd. Impairment Testing

Valuation Date: December 31, 2021
Field Cash Flows: Jade
Currency in USD Thousands (Unless otherwise noted)

		1/1/2022 3/31/2022	4/1/2022 6/30/2022	7/1/2022 9/30/2022	10/1/2022 12/31/2022	1/1/2023 3/31/2023	4/1/2023 6/30/2023	7/1/2023 9/30/2023	10/1/2023 12/31/2023	1/1/2024 12/31/2024	1/1/2025 12/31/2025	1/1/2026 12/31/2026	1/1/2027 12/31/2027	1/1/2028 12/31/2028	1/1/2029 12/31/2029
Jade	Notes:	**Q1 2022**	**Q2 2022**	**Q3 2022**	**Q4 2022**	**Q1 2023**	**Q2 2023**	**Q3 2023**	**Q4 2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Net Production															
Oil (mbbl)		157	158	160	160	86	87	88	88	283	229	184	134	112	98
NGL (mbbl)		42	42	43	43	41	41	42	42	138	116	100	69	59	53
Gas (mboe)		234	237	240	240	229	232	234	234	774	649	561	388	331	295
Total Net Production (mboe)	(1)	433	438	443	443	356	360	364	364	1,196	994	845	590	502	446
Net Revenue	(1)	46,833	47,354	47,874	47,874	27,125	27,565		28,153	73,139	58,244	47,194	33,966	29,474	26,933
Net Opex	(1)	(2,774)	(2,774)	(2,774)	(2,774)	(2,830)	(2,844)	(2,858)	(2,873)	(11,226)	(11,117)	(10,874)	(10,475)	(10,524)	(10,631)
Net Capex	(1)	(5,065)	(5,065)	(5,065)	(5,065)	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		38,994	39,514	40,035	40,035	24,295	24,721	25,152	25,281	61,913	47,128	36,320	23,491	18,950	16,302
Discount Period		0.12	0.37	0.62	0.87	1.12	1.37	1.62	1.87	2.50	3.50	4.50	5.50	6.50	7.50
		38,560	38,630	38,263	37,398	22,187	22,071	21,953	21,567	49,894	34,676	24,405	14,415	10,620	8,341

		1/1/2030 12/31/2030	1/1/2031 12/31/2031	1/1/2032 12/31/2032	1/1/2033 12/31/2033	1/1/2034 12/31/2034	1/1/2035 12/31/2035	1/1/2036 12/31/2036	1/1/2037 12/31/2037	1/1/2038 12/31/2038	1/1/2039 12/31/2039	1/1/2040 12/31/2040	1/1/2041 12/31/2041	1/1/2042 12/31/2042	1/1/2043 12/31/2043
	Notes:	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**
Net Production															
Oil (mbbl)		85	71	55	43	39	34	31	7 `		-	-	-	-	-
NGL (mbbl)		47	40	35	32	29	24	22	5	-	-	-	-	-	-
Gas (mboe)		265	226	199	177	164	137	126	30	-	-	-	-	-	-
Total Net Production (mboe)	(1)	397	337	289	251	233	195	179	42	-	-	-	-	-	-
Net Revenue	(1)	24,576	21,278	18,424	16,229	15,352	13,147	12,352	2,961	-	-	-	-	-	-
Net Opex	(1)	(10,741)	(10,655)	(10,685)	(10,727)	(10,901)	(10,835)	(10,942)	(2,743)	-	-	-	-	-	-
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		13,835	10,623	7,739	5,502	4,451	2,313	1,410	218	-	-	-	-	-	-
Discount Period		8.50	9.50	10.50	11.50	12.50	13.50	14.50	15.50	16.50	17.50	18.50	19.50	20.50	21.50
Present Value of Net Field Cash Flows @ 9.50%		6,465	4,533	3,016	1,958	1,446	686	382	54	-	-	-	-	-	-

Pre-Tax Field NPV		401,521
Tax Rate:	(2)	40.0%
Post-Tax Field NPV		**240,913**

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 17.0

Ithaca Energy Ltd. Impairment Testing

Valuation Date: December 31, 2021
Field Cash Flows: Marigold
Currency in USD Thousands (Unless otherwise noted)

		1/1/2022 3/31/2022	4/1/2022 6/30/2022	7/1/2022 9/30/2022	10/1/2022 12/31/2022	1/1/2023 3/31/2023	4/1/2023 6/30/2023	7/1/2023 9/30/2023	10/1/2023 12/31/2023	1/1/2024 12/31/2024	1/1/2025 12/31/2025	1/1/2026 12/31/2026	1/1/2027 12/31/2027	1/1/2028 12/31/2028	1/1/2029 12/31/2029
Marigold/ Yeoman	Notes:	**Q1 2022**	**Q2 2022**	**Q3 2022**	**Q4 2022**	**Q1 2023**	**Q2 2023**	**Q3 2023**	**Q4 2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Net Production															
Oil (mbbl)		-	-	-	-	-	-	-	-	4,848	4,263	2,648	1,777	1,260	932
NGL (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		-	-	-	-	-	-	-	-	478	420	261	175	124	92
Total Net Production (mboe)	(1)	-	-	-	-	-	-	-	-	5,326	4,683	2,910	1,952	1,384	1,023
Net Revenue	(1)	-	-	-	-	-	-		-	366,718	326,676	205,679	142,723	103,239	80,000
Net Opex	(1)	-	-	-	-	-	-	-	-	(22,000)	(30,831)	(26,406)	(23,355)	(22,348)	(19,400)
Net Capex	(1)	(9,708)	(9,708)	(9,708)	(9,708)	(51,171)	(51,424)	(51,682)	(51,940)	(133,374)	-	-	-	-	-
Total Net Field Cash Flows		(9,708)	(9,708)	(9,708)	(9,708)	(51,171)	(51,424)	(51,682)	(51,940)	211,344	295,845	179,272	119,368	80,891	60,600
Discount Period		0.12	0.37	0.62	0.87	1.12	1.37	1.62	1.87	2.50	3.50	4.50	5.50	6.50	7.50
		(9,600)	(9,491)	(9,279)	(9,069)	(46,732)	(45,912)	(45,110)	(44,310)	170,318	217,677	120,461	73,250	45,332	31,007

		1/1/2030 12/31/2030	1/1/2031 12/31/2031	1/1/2032 12/31/2032	1/1/2033 12/31/2033	1/1/2034 12/31/2034	1/1/2035 12/31/2035	1/1/2036 12/31/2036	1/1/2037 12/31/2037	1/1/2038 12/31/2038	1/1/2039 12/31/2039	1/1/2040 12/31/2040	1/1/2041 12/31/2041	1/1/2042 12/31/2042	1/1/2043 12/31/2043
	Notes:	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**
Net Production															
Oil (mbbl)		712	558	447	365	302	141	-	-	-	-	-	-	-	-
NGL (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		70	55	44	36	30	14	-	-	-	-	-	-	-	-
Total Net Production (mboe)	(1)	782	613	491	401	332	155	-	-	-	-	-	-	-	-
Net Revenue	(1)	63,173	50,537	41,313	34,841	29,447	13,996	-	-	-	-	-	-	-	-
Net Opex	(1)	(17,469)	(16,167)	(15,274)	(14,659)	(14,238)	(7,496)	-	-	-	-	-	-	-	-
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		45,704	34,370	26,039	20,182	15,209	6,500	-	-	-	-	-	-	-	-
Discount Period		8.50	9.50	10.50	11.50	12.50	13.50	14.50	15.50	16.50	17.50	18.50	19.50	20.50	21.50
Present Value of Net Field Cash Flows @ 9.50%		21,356	14,667	10,148	7,181	4,942	1,929	-	-	-	-	-	-	-	-

Pre-Tax Field NPV		498,765
Tax Rate:	(2)	40.0%
Post-Tax Field NPV		**299,259**

Notes:

(1) Forecasts as per Management

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

Chapter C

Financial Statements

Delek Group Ltd.

Consolidated Financial Statements

December 31, 2021

Contents

- - - - - - - - - - - - - - - - -

Consolidated Balance Sheets

	Note	As at December 31	
		2021	2020
		NIS millions	
Current assets			
Cash and cash equivalents	3	1,147	402
Short-term investments	4	596	559
Trade receivables	5	1,170	820
Other receivables	6	327	191
Current tax assets		25	40
Financial derivatives	10F	15	93
Inventory	7	552	343
		3,832	2,448
Assets held for sale	12C, 11	224	3,927
		4,056	6,375
Non-current assets			
Long-term loans, deposits, and receivables	8	3,110	3,176
Other financial assets	9	-	21
Investments in associates	10	472	679 *)
Investment property	11	327	331
Right-of-use assets	21	12	22
Financial derivatives	10F	-	9
Investments in exploration and production of oil and gas assets, net	12	19,660	19,654
Property, plant and equipment, net	13	130	84
Goodwill	14	2,707	2,798
Deferred taxes	30E	927	1,278
		27,345	28,052
		31,401	34,427

*) Retrospective reconciliation - see Note 10H

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

Consolidated Balance Sheets

	Note	As at December 31 2021	As at December 31 2020
		NIS millions	
Current liabilities			
Borrowings and current maturities from banks and others	17	-	138
Debentures including current maturities of debentures	18	350	6,668
Trade payables	15	702	317
Other payables	16	1,824	1,193 *)
Current maturities of lease liabilities		10	20
Current tax liabilities		652	107
Financial derivatives	10F	1,305	264
		4,843	8,707
Liabilities attributable to assets held for sale	12C, 11	74	2,230
		4,917	10,937
Non-current liabilities			
Loans from banks and others	17	1,151	2,247
Debentures	18	13,199	9,248
Convertible liability	18	154	-
Lease liability	21	1	3
Financial derivatives	10F	124	76
Provisions and other liabilities	22	5,342	5,265
Deferred taxes	30E	1,325	1,401
		21,296	18,240
Capital	25		
Share capital		19	18
Share premium		2,534	2,341
Proceeds for options and conversion options		18	38
Retained earnings		3,049	1,589 *)
Adjustments from translation of financial statements of foreign operations		(1,125)	(933)
Capital reserve from transactions with non-controlling interests		(684)	(677)
Other reserves		(893)	24
Treasury shares		(314)	(314)
Total equity attributable to shareholders of the Company		2,604	2,086
Non-controlling interests		2,584	3,164
Total capital		5,188	5,250
		31,401	34,427

*) Retrospective reconciliation - see Note 10H.

March 29, 2022			
Approval date of the financial statements	Gabriel Last Chairman of the Board of Directors	Idan Wallace CEO	Tamir Polikar Executive VP and CFO

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

Consolidated Statements of Income

	Note	For the year ended December 31		
		2021	2020	2019
		NIS millions (Other net earnings (loss) per share)		
Revenue	32B	7,973	6,671	3,356
Cost of revenues	26	3,664	3,536	1,901
Gross profit		4,309	3,135	1,455
General and administrative expenses	27	144	241	121
Group share in profits (losses) of operational associates, net		44	(15)	(42)
Other revenues (expenses), net	28	421	(2,973)	(865)
Operating profit (loss)		4,630	(94)	427
Financing income	29	138	382	560
Finance expenses	29	(1,933)	(2,294)	(1,219)
		2,835	(2,006)	(232)
Group share in profits of associates, net		-	5	19
Profit (loss) before taxes on income		2,835	(2,001)	(213)
Taxes on income (tax benefits)	30F	1,247	(406)	(417)
Profit (loss) from continuing operations		1,588	(1,595)	204
Profit (loss) from discontinued operations, net	10	84	(158)*)	582
Net profit (loss)		1,672	(1,753)	786
Attributable to:				
Shareholders of the Company		1,432	(1,817)	234
Non-controlling interests		240	64	552
		1,672	(1,753)	786
Net earnings (loss) per share attributable to shareholders of the Company (NIS)	31			
Basic earnings (loss) from continuing operations		78.5	(125.0)*)	(9.7)
Basic earnings (loss) from discontinued operations		4.9	(11.9)*)	29.8
Basic earnings (loss)		83.4	(136.9)	20.1
Diluted earnings (loss) from continuing operations		75.1	(125.0)*)	(9.7)
Diluted earnings (loss) from discontinued operations		4.7	(11.9)*)	29.8
Diluted earnings (loss)		79.8	(136.9)	20.1

*) Retrospective reconciliation - see Note 10H.

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

Consolidated Statements of Comprehensive Income

	For the year ended December 31		
	2020	2020	2019
		NIS millions	
Net profit (loss)	1,672	(1,753) *)	786
Other comprehensive income (loss) (net of tax effect):			
Amounts not reclassified to profit or loss:			
Loss from investment in equity instruments measured at fair value through other comprehensive income	86	(101)	(167)
Revaluation for transfer from property, plant and equipment to investment property	-	27	-
Total	86	(74)	(167)
Amounts classified or reclassified to profit or loss under specific conditions:			
Profit from cash flow hedges	(1,426)	645	92
Transfer to profit or loss for cash flow hedges	472	(570)	(101)
Adjustments from translation of financial statements of foreign operations	(349)	(594)	(969)
Transfer to statement of income for foreign currency translation differences for foreign operations	-	28	14
Other comprehensive income (loss) attributable to associates, net	-	(2)	(4)
Total	(1,303)	(493)	(968)
Total other comprehensive income (loss) from continuing operations	(1,217)	(567)	(1,135)
Total other comprehensive income (loss) from discontinued operations, net	-	-	149
Total other comprehensive income (loss)	(1,217)	(567)	(986)
Total comprehensive income (loss)	455	(2,320)	(200)
Attributable to:			
Shareholders of the Company	351	(2,091)	(501)
Non-controlling interests	104	(229)	301
	455	(2,320)	(200)

*) Retrospective reconciliation - see Note 10H.

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

Consolidated Statements of Changes in Equity

	Attributable to shareholders of the Company										
	Share capital	Share premium	Proceeds for options and conversion options	Retained earnings	Adjustments from translation of financial statements of foreign operations	Reserve for transactions with non-controlling interests	Other reserves *)	Treasury shares	Total	Non-controlling interests	Total capital
	NIS millions										
Balance as at December 31, 2020 ***)	18	2,341	38	1,589	(933)	(677)	24	(314)	2,086	3,164	5,250
Net profit (loss)				1,432	-	-	-	-	1,432	240	1,672
Other comprehensive income (loss)	-	-	-	-	(192)	-	(889)	-	(1,081)	(136)	(1,217)
Total comprehensive income (loss)				1,432	(192)		(889)		351	104 **)	455
Issue of shares and warrants, net	-	130	6	-	-	-	-	-	136	-	136
Exercise of options for shares	1	45	(8)	-	-	-	-	-	38	-	38
Expiry of a conversion option due to repayment of convertible debentures	-	18	(18)	-	-	-	-	-	-	-	-
Transactions with non-controlling interests	-	-	-	-		(7)			(7)	7	-
Disposal of revaluation fund due to disposal of an asset	-			28			(28)	-	-	-	-
Dividend to non-controlling interests (including tax payments paid and provisioned by the Partnership)	-	-	-	-	-	-	-	-	-	(691)	(691)
Balance as at December 31, 2021	19	2,534	18	3,049	(1,125)	(684)	(893)	(314)	2,604	2,584	5,188

*) As at December 31, 2021, mainly due to cash flow hedges.

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

Net profit attributable to non-controlling interests	240
Loss for financial assets measured at fair value through other comprehensive income, net	20
Adjustments from translation of financial statements of foreign operations	(156)
Total comprehensive income attributable to non-controlling interests	104

***) Retrospective reconciliation - see Note 10H.

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

Consolidated Statements of Changes in Equity

	Attributable to shareholders of the Company										
	Share capital	Share premium	Proceeds for conversion options	Retained earnings	Adjustments from translation of financial statements of foreign operations	Reserve for transactions with non-controlling interests	Other reserves *)	Treasury shares	Total	Non-controlling interests	Total capital
	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 warrants, net	4	301	42	-	-	-	-	-	347	-	347
Exercise of options for shares	1	114	(15)	-	-	-	-	-	100	-	100
Expired options	-	7	(7)	-	-	-	-	-	-	-	-
Disposal of revaluation fund 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 (including tax payments paid and provisioned by the Partnership)	-	-	-	-	-	-	-	-	-	(232)	(232)
Balance as at December 31, 2020	18	2,341	38	1,589	(933)	(677)	24	(314)	2,086	3,164	5,250

*) As at December 31, 2020, mainly due to cash flow hedges.

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

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

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

Consolidated Statements of Changes in Equity

	Attributable to shareholders of the Company										
	Share capital	Share premium	Proceeds for conversion options	Retained earnings	Adjustments from translation of financial statements of foreign operations	Reserve for transactions with non-controlling interests	Other reserves *)	Treasury shares	Total	Non-controlling interests	Total capital
	NIS millions										
Balance as at December 31, 2018	13	1,910	27	3,403	(20)	(324)	99	(143)	4,965	7,305	12,270
Cumulative effect of first-time adoption of IFRS 16 as at January 1, 2019	-	-	-	(1)	-	-	-	-	(1)	-	(1)
Balance as at January 1, 2019	13	1,910	27	3,402	(20)	(324)	99	(143)	4,964	7,305	12,269
Net profit	-	-	-	234	-	-	-	-	234	552	786
Other comprehensive loss	-	-	-	-	(633)	-	(102)	-	(735)	(251)	(986)
Total comprehensive income (loss)	-	-	-	234	(633)	-	(102)	-	(501)	301 **)	(200)
Acquisition of treasury shares	-	-	-	-	-	-	-	(111)	(111)	-	(111)
Deconsolidation (see Note 10E)	-	-	-	-	-	-	-	-	-	(3,539)	(3,539)
Expiry of conversion option	-	9	(9)	-	-	-	-	-	-	-	-
Transactions with non-controlling interests	-	-	-	-	-	35	-	-	35	-	35
Dividends	-	-	-	(254)	-	-	-	-	(254)	-	(254)
Dividend to non-controlling interests (including tax payments paid and provisioned by the Partnership)	-	-	-	-	-	-	-	-	-	(623)	(623)
Balance as at December 31, 2019	13	1,919	18	3,382	(653)	(289)	(3)	(254)	4,133	3,444	7,577

*) As at December 31, 2019, includes mainly capital reserve (negative) for financial assets at fair value through other comprehensive income in the amount of NIS 106 million and credit balance for cash flow hedging transactions in the amount of NIS 92 million.

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

Net profit attributable to non-controlling interests	552
Profit for financial assets at fair value through other comprehensive income, net	71
Loss from cash flow hedges	(8)
Adjustments from translation of financial statements of foreign operations	(314)
Total comprehensive income attributable to non-controlling interests	301

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

Consolidated Statements of Cash Flows

	For the year ended December 31		
	2021	2020	2019
		NIS millions	
Cash flows from operating activities			
Net profit (loss)	1,672	(1,753) *)	786
Adjustments to reconcile cash flows from operating activities (a)	1,932	4,920 *)	4,037
Net cash from (used for) operating activities	3,604	3,167	4,823
Cash flows from investing activities			
Purchase of property, plant and equipment, investment property and intangible assets	(3)	(53)	(330)
Proceeds from sale of property, plant and equipment and investment property	160	35	93
Proceeds from sale of oil and gas assets (D)	3,014	-	160
Tax paid in connection with the sale of oil and gas assets	157	-	
Proceeds from sale of financial assets, net	123	440	113
Repayment of loans to associates, net		3	-
Short-term investments, net	67	(284)	237
Investment in long-term bank deposits, net	69	16	(188)
Investments in oil and gas exploration and assets	(1,104)	(1,170)	(3,621)
Insurance proceeds	-	65	-
Cash added from disposal of investments in previously consolidated companies (B)	-	1,263	1,320
Cash flows used for acquisition of control in companies and operations (C)	-	(7)	(6,086)
Proceeds from sale of investments in associates	113	169	750
Tax paid for the sale of and investment in corporate company	-	-	(21)
Investments in associates	-	(1)	(427)
Repayment of loans to others, net	121	92	321
Net cash from (used for) investing activities	2,717	568	(7,679)

*) Retrospective reconciliation - see Note 10H.

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

Consolidated Statements of Cash Flows (cont.)

	For the year ended December 31		
	2021	2020	2019
	NIS millions		
Cash flow from financing activities			
Short-term loans from banks and others, net	-	(1,161)	(9)
Transactions with non-controlling interests	-	(137)	-
Receipt of long-term loans	2,099	113	6,848
Repayment of long-term loans	(3,394)	(9,585)	(1,966)
Dividend paid	-	-	(254)
Dividend paid to non-controlling interests (including tax prepayments)	(416)	(190)	(498)
Acquisition of treasury shares by a subsidiary partnership	-	(60)	(111)
Issue of shares and warrants (net of issuance costs)	136	447	-
Exercise of options for shares	38	100-	-
Repayment of liability for a lease	13	(123)	(174)
Payment for a put option and other contingent considerations	-	(200)	(35)
Issue of debentures and convertible debentures into shares (less issuance costs)	3,286	8,145	2,561
Repayment of debentures	(7,264)	(2,043)	(1,131)
Net cash from (used for) financing activities	(5,528)	(4,794)	5,231
Exchange differences on cash balances of foreign operations	(48)	(35)	(32)
Change in cash and cash equivalents attributable to operations held for sale	-	(21)	(2,312)
Increase (decrease) in cash and cash equivalents	745	(1,115)	31
Cash and cash equivalents at the beginning of the year	402	1,517	1,486
Cash and cash equivalents at the end of the year	1,147	402	1,517

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

Consolidated Statements of Cash Flows (cont.)

	For the year ended December 31		
	2021	2020	2019
	NIS millions		
(A) Adjustments to reconcile cash flows from operating activities			
Adjustments to profit or loss:			
Depreciation, depletion, amortization, and impairment of assets, net	797	5,004	2,386
Deferred taxes, net	896	(613)	(442)
Increase (decrease) in employee benefit liabilities, net	-	(3)	3
Decrease (increase) of loans granted, net	(86)	(26)	33
Loss (profit) from the sale of property, plant and equipment, real estate and investments, net	(10)	220 *)	(262)
Group's share of results of associates, net (1)	(6)	14	28
Loss (profit) from the sale of oil and gas assets	517	-	3
Change in fair value of financial assets and financial derivatives, net	(374)	184	(411)
Increase (decrease) in long-term liabilities, net	(18)	133	(8)
Increase in deferred acquisition costs	-	-	(52)
Cost of share-based payment	-	(5)	2
Proceeds received for hedging transactions swap	-	547	-
Change in financial investments of insurance companies, net	-	-	(5,803)
Investments net of proceeds from the sale of financial assets at fair value through other comprehensive income in insurance companies, net	-	-	(4,376)
Increase in reserves and other provisions in insurance companies	-	-	12,601
Acquisition of investment property for performance-based contracts and other investment property in insurance companies	-	-	(199)
Increase in reinsurance assets	-	-	(218)
Change in value of investment property, net	(108)	(3)	(47)
Changes in operating assets and liabilities:			
Decrease (increase) in trade receivables	(419)	(50)	211
Decrease in other receivables	(63)	152	169
Decrease (increase) in inventory	(232)	22	15
Decrease (increase) in other assets, net	(22)	(19)	15
Increase (decrease) in trade payables	393	(105)	164
Increase (decrease) in other payables	667	(532)	225
	1,932	4,920	4,037
(1) Net of dividends and earnings received	38	-	181

*) Retrospective reconciliation - see Note 10H.

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

Consolidated Statements of Cash Flows (cont.)

		For the year ended December 31		
		2021	2020	2019
		NIS millions		
(B)	Cash added from disposal of investments in previously consolidated companies			
	Working capital (excluding cash and cash equivalents), net	13	(424)	-
	Investments in exploration and production of oil and gas assets	3,597	550	-
	Long-term assets	105	1,143	-
	Intangible assets	-	331	-
	Long-term liabilities	(184)	(1,045)	-
	Loan to the buyers for the acquisition	-	-	(152)
	Assets held for sale	-	853	103,607
	Other long-term assets	-	1,294	-
	Liabilities attributable to assets held for sale	-	(516)	(97,967)
	Deferred taxes	-	(145)	-
	Investment in an associate company	-	(300)	-
	Movement in capital reserves, net	-	15	(30)
	Profit (loss) from disposal of investment	(517)	(272)	66
	Non-controlling interests	-	(221)	(3,539)
	Investment in a financial asset at fair value through profit and loss	-	-	(665)
		3,014	1,263	1,320
(C)	Investment derecognized for acquisition of control in companies and operations			
	Working capital (excluding cash and cash equivalents), net	-	2	(2)
	Investments in exploration and production of oil and gas assets	-	-	(7,554)
	Property, plant and equipment, net	-	(9)	(39)
	Other long-term assets	-	-	(705)
	Deferred tax reserve (deferred tax asset)	-	-	1,731
	Goodwill	-	-	(2,837)
	Non-current liabilities	-	-	3,358
	Profit from a bargain acquisition	-	-	-
	Derecognition of investment in an associate	-	-	-
	Contingent consideration	-	-	-
	Assets held for sale, net	-	-	(38)
		-	(7)	(6,086)

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

Consolidated Statements of Cash Flows (cont.)

	For the year ended December 31		
	2021	2020	2019
	NIS millions		
(D) Significant non-cash activities			
Purchase of property, plant and equipment, investment property and intangible assets	-	9	9
Investment in oil and gas assets against liability	264	177	567
Dividend to non-controlling interests	142	53	46
Exercise of rights for royalties against investment in shares	-	-	27
Exercise of rights for royalties against receivables	-	-	147
Payable consideration from sale	33		
Acquisition of non-controlling interests against reissuance of treasury shares	-	-	39
Acquisition of shares in a subsidiary against the sale of the Partnership's units	-	207	-
Distribution of shares of an associate as a dividend in kind for non-controlling interests	-	-	132
Sale of investment property against loan provided	-	9	9
Repayment of a loan against the sale of participation units	264	177	567
(E) Additional information on cash flows			
Cash paid during the year for:			
Interest	1,442	1,673	1,381
Taxes	145	311	263
Cash received during the year for:			
Interest	13	9	547
Dividends	38	-	113
Taxes	6	1	509

(F) For information about cash flows from discontinued operations, see Notes 10E and 10J.

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

NOTE 1 - GENERAL

A. Delek Group Ltd. (hereinafter - 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), after the Group disposed of a number of leases and operations in recent years. For information about the Company's operating segments see also Note 33 and for information about assets used for significant discontinued operations see Note 10. The controlling shareholder of the Company is Yitzhak (Sharon) Tshuva, who, shortly before the approval date of the financial statements, holds 48.60% of the Company's capital and 50.21% of the voting rights (fully diluted - 47.97% of the Company's capital and 49.48% of the voting rights), through his wholly-owned companies.

B. Significant global events that have, or may have, a material effect on the Company's business

In December 2019, the Covid-19 pandemic broke out in China and spread to many countries around the world, and in March 2020, it was declared a pandemic by the World Health Organization (hereinafter - the "**Covid-19 Crisis**"). Due to the Covid-19 Crisis, many countries imposed significant restrictions that included and, among other things, self-isolation, restrictions on traffic and transportation (including flights), and closure and reduction of business activity. The crisis and the associated restrictions have caused a significant slowdown in global economic activity, and sharp declines and extreme fluctuations in capital markets around the world. In 2020, oil and natural gas prices plummeted in some countries. In 2021, oil and natural gas prices were highly volatile, leaning towards price increases. Oil and gas prices were extremely volatile, and as at December 31, 2021, the Brent oil price was USD 78 per barrel and the gas price was 155 penny per thermal unit. At its lowest point in 2020, the Brent oil price was USD 16 per barrel and the gas price was 32 penny per thermal unit and shortly before the approval date of the financial statements, the Brent oil price was USD 110 per barrel and the price of a thermal unit was 265 penny.

In addition, starting at the end of February 2022 and shortly before the approval date of the financial statements, Russia's invasion of Ukraine also affected global oil and gas prices and exchange rates, with some countries imposing economic sanctions on Russia.

As at the approval date of the financial statements, there is still uncertainty regarding when Covid-19 will be contained and/or will break out again and regarding the effect of the Russia-Ukraine war on future oil and natural gas prices and the global economy as a whole.

Since the bulk of the Group's operations are in the energy industry, oil and natural gas prices (as well as the USD-NIS exchange rate and interest rates) have a material (positive or negative) impact on the Group's operating results, the value of its assets (both marketable and non-marketable), its equity, and operating cash flows. In addition, the volatility of oil and gas prices affects the ability of the Company and its Staff Companies to receive dividends from investees and partnerships or the amount of the dividends.

As part of dealing with the Covid-19 crisis, the Company has taken measures to successfully continue realizing its business plans, which are aimed at strengthening its financial resilience and generating value in its investees. These measures include, among others: Conclusion of equity processes in the investees, receiving dividends from investees, as well as disposal of assets and investments that are not part of its core business. The actions taken by the Company in this matter during 2021 and subsequent to the balance sheet date included:

- An exchange tender offer for Series B31 (exchange for Series B34), in a total amount of NIS 832 million;
- Prepayment of debentures (Series B18 and B19), in a total amount (principal and interest) of NIS 385 million;
- Early repayment of the Company's liabilities to the debenture holders in total amount of NIS 1.7 billion, in relation to the payments that the Company was obliged to make in the fourth quarter of 2021 and the first quarter of 2022;

NOTE 1 – GENERAL (cont.)

B. Significant global events that have, or may have, a material effect on the Company's business

- In June-December 2021, the Company issued new debenture series (Series B35 and B36) for a total consideration of NIS 1,270 million. For further information, see Note 18.
- In July 2021, Ithaca concluded the refinancing of its debts. Due to the refinancing, Ithaca repaid NIS 800 million on account of a shareholder loan provided to it by the Company. Furthermore, in 2021, Ithaca distributed a dividend in the amount of NIS 50 million.
- In 2020, NewMed Energy declared a dividend in the amount of USD 157 million (NIS 509 million), with the Group's share being NIS 278 million. In 2021, NewMed Energy declared a dividend of USD 286 million (NIS 899 million). The Group's share is NIS 492 million (of which, NIS 145 million was received In January 2022, subsequent to the balance sheet date).

The business measures concluded in 2020-2021 created significant cash flow for the Company, in the billions of NIS, that have been used by the Company to repay its liabilities, in time and regularly. Successful conclusion of such business measures, together with the recovery of energy prices worldwide (gas and oil) in the past year and subsequent to the balance sheet date, as well as the positive change in trend that characterizes the Company's business environment, led to a sharp rise in the prices of the Company's shares and the value of its assets. All of these allowed the Company to repay its financial liabilities on time, to make early repayment on some of the debentures in highly significant amounts of over NIS 2 billion (NIS 2.08 billion) and to replace part of the series, as set out above, thereby extending the duration of part of the debt by another two years.

It is further emphasized that the rating of the Company's debentures was set by Midroog at (Baa3.il) with a stable outlook (granted on November 23, 2021) and the rating by Maalot S&P was upgraded from (il.B) to (il.BBB-) with a stable outlook (granted on December 30, 2021). This is a significant rating upgrade. With respect to the covenants with which the Company is required to comply under the deeds of trust and the Company's compliance with them as at the date of the financial statements, see Note 18.

Furthermore, the Company has significant core assets (100% of Ithaca shares, 55% of NewMed Energy, 100% of the shares of Delek Overriding Royalty Leviathan) in addition to further assets with potential appreciation: 25% of the shares of Delek Israel and Delek Israel Properties, 25% of the rights to land in Acre; a seller's loan for The Phoenix transaction and 70% of the rights in the Group's office building in Herzliya and the adjacent hotel. At the beginning of 2021 until the approval date of the financial statements, there was a material increase in the marketable value of the Company's shares and the participating units of NewMed Energy to the pre-economic crisis levels and there was a substantial increase in the fair value of the Company's holdings in Ithaca (as set out in the current valuation attached to the Company's financial statements), compared to a significant decline in 2020 due to the outbreak of the Covid-19 pandemic and its negative impact on world markets and energy prices – which, at the time, led to a significant impairment of the Group's financial position and liquid sources, mainly due to the fact that part of these shares were used as collateral to secure credit facilities granted to the Group. It should be noted that in 2020, the Group repaid all credit facilities provided by banks. Regarding testing for impairment of assets and amortization (cancellation of amortization) and disposals during 2020-2021, see Notes 10, 12C, 12R and 14 below.

These assets, as well as the yield to maturity trend of the Company's debentures, allowed the Company to maintain financial flexibility and resilience as well as reasonable alternatives in the event that any of its business plans are not executed in time or as planned.

NOTE 1 – GENERAL (cont.)

B. Significant global events that have, or may have, a material effect on the Company's business

The Company's management believes, based on past experience and its proven capability to raise the sources required and considering the Group's foregoing assets, that it is able to execute its business plans, in order to meet its liabilities, as expressed also during the last 18 months (during the global Covid-19 crisis) and that its plans have a high chance of being realized successfully.

It should be noted that as at December 31, 2021, the Company (separate) has a working capital deficit of NIS 0.17 billion, mainly due to current maturities of debentures issued by it. It should be noted that the working capital of the Company and Staff Companies as at December 31, 2021 amounts to a positive NIS 89 million. The Group (consolidated) has a working capital deficit of NIS 0.86 billion, mainly due to the fact that - as part of the current liabilities of a subsidiary of the Company (Ithaca), a liability was included in respect of financial derivatives. Regarding the foregoing, it should be noted that in the opinion of management and the board of directors, based on the above sources and the alternatives at its disposal, the Company has sufficient sources to allow it to meet its liabilities and the financial covenants in the foreseeable future.

C. Definitions

In these financial statements -

The Company	-	Delek Group Ltd.
The Group	-	The Company and its subsidiaries and partnerships which are consolidated in the consolidated financial statements.
Consolidated companies	-	Companies and partnerships controlled by the Company (as defined in IFRS 10) and their financial statements are consolidated with the financial statements of the Company.
Associates	-	Companies and partnerships over which the Company has significant influence or has a contractual arrangement for joint control and the Group investment in these companies is accounted for using the equity method.
Investees	-	Subsidiaries or associates and associate partnerships. See also the appendix to the financial statements listing the principal partnerships and investees.
Interested parties and controlling shareholder	-	As defined in the Israel Securities Regulations (Annual Financial Statements), 2010.
Related parties	-	As defined in IAS 24 (Revised).
CPI	-	The Consumer Price Index published by the Central Bureau of Statistics in Israel.
USD	-	US dollar.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

A. Basis of presentation

The financial statements of the Company have been prepared on a cost basis, except for investment property, financial investments, derivatives (including embedded derivatives) and certain financial instruments, which are measured at fair value in each reporting period, and with the exception of investments accounted for using the equity method and deferred taxes.

The Company has elected to present the statement of income using the function of expense method.

Basis of preparation of the financial statements

These financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter - “IFRS”).

Furthermore, the financial statements have been prepared in accordance with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010, insofar as these regulations are applicable to consolidated insurance companies.

Consistent accounting policy

The accounting policies applied in the consolidated financial statements have been applied consistently to all the periods presented, unless otherwise stated.

B. Estimates, assumptions and judgments

In the application of the Group's accounting policies, as described in this Note, the Company's management is required, in certain cases, to exercise extensive accounting judgment for estimates and assumptions regarding the carrying amount of assets and liabilities, which are not necessarily available from other sources. The related estimates and assumptions are based on past experience and other factors that are considered relevant. Actual results may differ from these estimates.
Below is a description of the key estimates and assumptions made in the financial statements concerning uncertainties at the end of the reporting period and the critical estimates computed by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

– Impairment of non-financial assets

The Group evaluates the need to record an impairment of the carrying amount of non-financial assets, oil and gas assets, and investments accounted for according to the equity method, whenever events or changes in circumstances indicate that the carrying amount is not recoverable (see Section S below). In addition, the Group reviews goodwill for impairment at least once a year.

This requires management to assess the expected future cash flows from continued use of the cash-generating units and also to select a suitable discounted rate for these cash flows. For further information, see Section S below.

As from the acquisition date, goodwill is allocated to a cash-generating unit or a group of cash-generating units which are expected to generate benefits from the synergy of the combination.

In particular, it should be noted that measurement of the recoverable amount of oil and gas assets (and the testing of goodwill impairment attributable to operation in this sector) requires management to make assumptions regarding expected costs and investments, the probability of the existence of development plans, quantities of resources in the reservoir (mainly estimated proved and probable oil reserves), expected selling prices (in particular, the expectation for future oil and gas prices), implications of the Petroleum Profits Tax Law, and discount rates, to evaluate the future cash flows from the assets.

The changes in estimates that were taken into account may significantly change the results of the assessment.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

B. Estimates, assumptions and judgments (cont.)

– Estimate of proven and prospective oil and gas reserves and future costs

The estimate of the proven and prospective oil and gas reserves are used, among other things, to determine the amortization rate of the assets used in the operations over the reporting period. Depreciation of investments (also taking into account expected future costs for production of the proven and prospective resources) associated with discovery and production of proved and prospective oil and gas reserves is based on the depletion method; according to this method, in each accounting period the assets are depreciated at a rate determined by the number of units of oil and gas actually produced, divided by the proven and prospective oil and gas reserves remaining according to estimates. The estimated oil and gas reserves in the producing reservoirs in the reporting period, and the future anticipated costs are calculated each year based partially on assessments of oil and gas reserves by external experts. The estimated proven and prospective reserves and the future anticipated costs according to these principles is subjective, based on different assumptions and the estimates of experts and might sometimes differ significantly. Given the significant amounts of the Group's depreciation expenses, the changes in estimates can have a material effect on the operating results and the financial position of the Group (including in respect of testing for impairment of oil and gas assets). See also Section T below.

– Determining the fair value of non-marketable financial assets

The Company's management exercises judgment in selecting appropriate valuation techniques for financial instruments that do not have a quoted market price in an active market. The valuation techniques used by the Company's management are those used by market participants. For certain instruments, the Company uses techniques based on projected future cash flows discounted at the current discount rates applicable for items with similar terms and risk characteristics. Changes in the estimated future cash flows and discount rates taking into account the risk assessment, such as liquidity risk, credit risk and volatility may affect the fair value of these assets.

– Deferred tax assets

A deferred tax asset is recognized for unused carryforward tax losses and temporary differences to the extent that it is probable that future taxable profits will be available against which the losses can be utilized according to the tax rate that is expected to apply to this taxable income. Management judgment is required to calculate the amount of the deferred tax asset that can be recognized based on the timing, future taxable income and tax planning strategy. Further to the above regarding the impairment testing of oil and gas assets, in determining the expected taxable income from operations in these assets, estimates of future oil and gas prices, future disposal development costs, quantity of reserves in reservoirs, and other factors are taken into consideration. Changes in these estimates may result in a material change in the balance of deferred taxes. For additional information, see Section U below and Note 30E.

Deferred tax liability is calculated in respect of temporary differences between the agreements included in the financial statements and the amounts taken into account for tax purposes.
The calculation of a deferred tax liability requires an estimate by management in order to determine the amount of the deferred tax liability that can be recognized based on the timing and tax planning strategies.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

B. Estimates, assumptions and judgments (cont.)

- Obligation for disposal of assets

The timing and amount of the financial resources required to settle the obligation are based on the assessment of the managements of the Partnership and the subsidiary, based, among other things, on estimates of professional advisors and periodic assessments of the adequacy of these estimates.

- Legal claims

When assessing the possible outcomes of legal claims that were filed against the Company and its investees, the Group companies relied on the opinions of their legal counsel. These opinions are based on the best of their professional judgment and take into consideration the current stage of the proceedings and the legal precedents for various matters. Since the outcomes of the claims will ultimately be determined in the courts, these outcomes could differ from the assessments.

In addition to these claims, the Company is exposed to unasserted legal claims, among other things, where there is any doubt as to the interpretation of the agreement and/or the provisions of the law and/or their implementation. This exposure is brought to the attention of the Company and its investees in several ways, including through customer applications to Group entities, in particular to the Group's public complaints officer, through customer complaints to the public inquiries unit in the supervisor's office, and through claims (other than class action suits) filed at the court.

These issues are brought to the attention of the Group's management insofar as the relevant entities identify that the claims could have widespread implications. When assessing the risk arising from these unasserted allegations/claims, the Group companies rely on internal assessments of the relevant parties and the management, which assess the prospects of a claim being filed and the chances for its success, if filed. The assessment is based on experience gained with respect to filing claims and the analysis of each claim. By their nature, in view of the preliminary stage of the clarification of the legal claim, the actual outcome could be different from the assessment made before the claim was filed.
For further information, see Note 23A.

C. Consolidated Financial Statements

The consolidated financial statements include the statements of companies that are controlled by the Company (subsidiaries). Control exists when the Company has the power to affect the investee, is exposed, or has rights, to variable returns from its involvement with the investing entity, and it has the ability to affect those returns arising from the investee. When assessing the existence of control, all potential voting rights are taken into account only if they are exercisable. The financial statements are consolidated from the date that control is obtained and ends when such control ceases.

Significant intragroup balances and transactions and profits or losses arising from transactions between the Group companies have been eliminated in full in the consolidated financial statements.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

C. Consolidated Financial Statements (cont.)

Non-controlling interests for subsidiaries represent the capital of the subsidiaries that cannot be attributed, directly or indirectly, to the parent company. The Non-controlling interests are presented separately under the Company's equity. Profit or loss and any part of other comprehensive income are attributed to the Company and non-controlling interests. Equity instruments such as preferred stock and similar instruments issued by subsidiaries are recognized under non-controlling interests. The attribution of the profit or loss of a subsidiary takes into account arrangements for distribution of profits such as dividends for cumulative preferred shares. Losses are attributed to non-controlling interests even if the result is a negative balance of non-controlling interests in the consolidated statement of financial position.

The acquisition of non-controlling interests by the Group is recognized as an increase or decrease in equity (when non-controlling interests also include a share of other comprehensive income, the Company reattributes the accumulated amounts that were recognized in other comprehensive income to the Company's shareholders and the non-controlling interests).

Upon the disposal of an interest in a subsidiary that does not result in a loss of control, an increase or decrease is recognized in equity taking into account also the disposal of a portion of any goodwill in the subsidiary and any capital reserve recognized in other comprehensive income, based on the decrease in the interests in the subsidiary.

Transaction costs for transactions with non-controlling interests are also recognized in equity.

Upon the loss of control on disposal of a subsidiary, the Company derecognizes the assets (including goodwill), liabilities, and non-controlling interests of the subsidiary, and recognizes the fair value of the consideration received and any remaining investment; and reclassifies the components previously recognized in other comprehensive income (loss).

The financial statements of the Company and its subsidiaries are prepared at the same dates and for the same periods. The accounting policy in the financial statements of the subsidiaries is applied uniformly and consistently with the accounting policy in the Company's financial statements.

Jointly controlled operations

A joint venture is a contractual arrangement where two or more parties undertake oil and gas exploration operations in a jointly-owned asset. Certain joint ventures often involve joint operations by the partners in one or more asset invested in the joint venture.

According to IFRS 11, joint control only exists when there is a formal requirement for unanimous agreement of the joint venture partners. However, a review of these ventures demonstrates that the ventures themselves have no rights in the assets and have no binding commitments on behalf of the participants. The agreements are directly between the participants and the third party. Any participant may pledge its rights in the assets and is entitled to the economic benefits arising from the venture. As a result, the participants have a proportionate share in the assets and liabilities attributable to the joint venture.

For the rights in the joint venture operations, the Group recognizes the following in its financial statements:

a) The share of the joint venture assets.
b) Any liabilities undertaken by the partnership.
c) The share in any liabilities incurred jointly in respect of the joint venture.
d) Any revenues arising from its right in the joint venture
e) Any expenses arising from its right in the joint venture.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

D. Functional currency and foreign currency

1) Functional currency and presentation currency

The functional currency of the Company and the presentation currency of the financial statements is the Israeli shekel (NIS).

The Group determines the functional currency of each company, including companies accounted for using the equity method.

The assets and liabilities of an investee that is a foreign operation, including surplus, are translated at the exchange rate at each reporting date. Profit or loss items are translated at average exchange rates for the presented periods. All exchange differences are recognized as other comprehensive income (loss).

Intragroup loans for which settlement is neither planned nor likely to occur in the foreseeable future, are a part of the investment in the foreign operation, therefore exchange differences arising on these loans (net of the effect of tax) are recognized in other comprehensive income (loss).

When a foreign operation is fully or partially disposed of, such that control is lost, the cumulative profit (loss) related to that operation, recognized in other comprehensive income is transferred to profit or loss. When a foreign operation is partially disposed of, while retaining control in the subsidiary, a proportionate part of the cumulative amount of the translation difference that was recognized in other comprehensive income is reattributed to non-controlling interests.

2) Transactions, assets and liabilities in foreign currency

Transactions denominated in foreign currency are recorded on initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at each balance sheet date into the functional currency at the exchange rate at that date. Exchange differences, other than those capitalized to qualifying assets or carried to equity in hedging transactions, are recognized in the statement of income. Non-monetary assets and liabilities measured at cost are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

3) CPI-linked monetary items

Monetary assets and liabilities linked to the changes in the Israeli Consumer Price Index (hereinafter - the "**Israeli CPI**"), other than a lease liability, are adjusted at the relevant index at each balance sheet date according to the terms of the agreement.

E. Operating cycle

The Company's normal operating cycle does not exceed one year.

F. Cash equivalents

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of acquisition, which are not pledged.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

G. Short-term deposits

Short-term bank deposits are deposits with an original maturity of more than three months from the date of acquisition that do not meet the definition of cash value. The deposits are presented according to their terms of deposit.

H. Inventory

Inventory is measured at the lower of cost or net realizable value. Cost of inventory includes all purchase costs, direct labor costs, fixed and variable overhead costs, and other costs incurred in bringing the inventory to its current location and condition. The cost is based on the first-in first-out (FIFO) method.

Crude oil inventory is measured at net realizable value, based on the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling expenses. Non-current crude oil inventory is measured at its historical cost. Inventory of related materials is measured at cost, calculated according to the FIFO method.

I. Financial instruments

1) Financial assets

As at the date of initial recognition, financial assets within the scope of the standard are measured at fair value plus transaction costs that are directly attributable to acquisition of the financial asset, except in the case of a financial asset measured at fair value through profit or loss, when transaction costs are recognized in profit or loss.

The Group classifies and measures the debt instruments in its financial statements on the basis of the following criteria:

(A) The Group’s business model for managing financial assets

(B) The contractual cash flow characteristics of the financial asset.

The Group measures debt instruments at amortized cost when:

The Group's business model is the holding of financial assets with the objective of collecting contractual cash flows and the contractual terms of the financial assets give rise on specific dates to cash flows representing solely payments of principal and interest for the amount of the unpaid principle.
Subsequent to initial recognition, instruments in this class will be measured according to their terms at cost plus direct transaction costs, at amortized cost, less a provision for impairment.
In addition, an entity may irrevocably designate a debt instrument for measurement at fair value through profit or loss on initial recognition if such designation eliminates or considerably reduces measurement or recognition inconsistency, for example, when the related financial liability is also measured at fair value through profit or loss.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

I. Financial instruments (cont.)

1) Financial assets (cont.)

The Group measures debt instruments at profit or loss when:

They do not meet the criteria for measuring at amortized cost or at fair value through other comprehensive income.

Equity instruments and other financial assets held for trading

Financial assets that are investments in equity instruments do not meet the above criteria and are therefore measured at fair value through profit or loss.

Other financial assets held for trading, such as derivatives, are measured at fair value through profit or loss unless they are designated as effective hedging instruments.

For certain equity instruments not held for trading, at initial recognition, the Group may elect irrevocably to present subsequent fair value changes in other comprehensive income that would otherwise not have been measured at fair value through profit or loss. These changes will not be recognized in profit or loss in the future, even when the investment is derecognized.

Revenues from dividends from investments in equity instruments are recognized at the dividend record date in the statement of income.

2) Impairment of financial assets

The Group assesses at each reporting date the provision for loss in respect of financial debt instruments that are not measured at fair value through profit or loss.
The Group differentiates between two situations of recognition of a provision for loss;

(A) Debt instruments with no significant impairment in credit quality since initial recognition or with a low credit risk - the provision for loss recognized for this debt instrument will take into account expected credit losses in the 12 months period subsequent to the reporting date.

(B) Debt instruments with significant deterioration in credit quality since initial recognition and their credit risk is not low - the provision for loss recognized will take into account the expected credit losses - over the balance of the useful life of the instrument. The Group applies the expedient in the standard, according to which it assumes that the credit risk of a debt instrument did not increase significantly from the date of initial recognition, if it was determined on the reporting date that the instrument has a low credit risk, for example when the instrument has an external rating of "investment grade".

Impairment for debt instruments measured at amortized cost is recognized in profit or loss against a provision.
The Group has financial assets with short credit periods, such as trade receivables, for which it may apply the expedient set out in the standard, meaning that the Group will measure the provision for loss in an amount equal to expected credit losses throughout the useful life of the instrument. The Group elected to apply the expedient for these financial assets.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

I. Financial instruments (cont.)

3) Derecognition of financial assets

The Group derecognizes a financial asset when and only when:

(A) The contractual rights to the cash flows from the financial asset expire, or

(B) The Group transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or the Company retains some of the risks and rewards but it can be said that it had transferred control on the asset.

(C) The Group retains the contractual rights to receive the cash flows from the financial asset, but assumes a contractual obligation to pay these cash flows in full to a third party without substantial delay.

4) Financial liabilities

As at the date of initial recognition, the Group measures financial liabilities in the scope of the Standard at fair value less transaction costs directly attributable to the issuance of the financial liability, except in the case of a financial liability measured at fair value through profit or loss, when transaction costs are recognized in profit or loss.

Subsequent to initial recognition, the Group measures financial liabilities at amortized cost in their entirety, except for:

(A) Financial liabilities at fair value through profit or loss, such as derivatives;
(B) Financial liabilities created when transfer of the financial asset is not qualified for derecognition; or
(C) Contingent consideration recognized by a buyer in a business combination.

5) Financial liabilities measured at fair value through profit or loss

At initial recognition, the Group measures financial liabilities that are not measured at amortized cost at fair value when transaction costs are recognized in profit or loss.

Subsequent to initial recognition, changes in fair value are attributed to profit or loss.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

I. Financial instruments (cont.)

6) Derecognition of financial liabilities

The Group derecognizes a financial liability when, and only when, it is settled - that is, when the obligation defined in the contract expires or when it is discharged or cancelled. A financial liability is extinguished when the debtor pays the liability by a cash payment, other financial assets, goods or services, or is legally discharged of the liability.

In the event of a change in the terms of an existing financial liability, the Group examines whether the terms of the liability are materially different from the existing conditions, taking into account qualitative and quantitative considerations.
When there is a substantial modification of the terms of an existing financial liability, or a replacement of a liability by another liability having substantially different terms between the Company and a lender, the transaction is accounted for as a derecognition of the original liability and recognition of a new financial liability. The difference between these two financial liabilities in the financial statements is recognized in profit or loss.
When there is a non-substantial modification of the terms of an existing liability, or an exchange of another liability with terms are not materially different, between the Company and the lender, the Group revises the amount of the liability, namely, the discounting of the new cash flows at the original effective interest rate, and the difference is recognized in profit or loss.

7) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position if there is a legally enforceable right to set off the recognized amounts and there is an intent to dispose of the asset and liability on a net basis or realize the asset and dispose of the liability simultaneously. The right to offset must not only be legally enforceable in the ordinary course of business, but must also be enforceable in the event of bankruptcy or insolvency of one of the counterparties. Offset must not be contingent on a future event or periods of time in which they will not apply, or may be removed by a future event.

8) Embedded derivatives

According to the Standard, embedded derivatives in financial assets will not be separated from a host contract. These hybrid contracts will be measured in their entirety at amortized cost or at fair value, in accordance with the criteria of the business model and contractual cash flows.

When a host contract does not meet the definition of a financial asset, an embedded derivative is separated from the host contract and accounted for as derivative when the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, the embedded derivative meets the definition of a derivative, and the instrument involved is not measured at fair value when changes are recognized in profit or loss.

Reassessment of the deed for separation only occurs when there is a change in the terms of the contract that significantly modifies the cash flows from the engagement.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

J. Hedge accounting and derivative financial instruments

Any profits or losses arising from changes in the fair values of derivatives that do not qualify for hedge accounting are recognized directly in the statement of income.

Hedge transactions qualify as accounting hedging when, at the inception of the hedge, there is formal designation and documentation of the hedging relationships and the risk management objectives and strategy of the Group for hedging. The hedge is tested on an ongoing basis and determined in practice when it is highly effective throughout the financial reporting period to which the hedge is assigned. Hedging transactions are accounted for as follows:

Cash flow hedges

The effective portion of the profit or loss on the hedging instrument is recognized as other comprehensive income (loss), while any ineffective portion is recognized immediately in the statement of income.

Other comprehensive income (loss) is transferred to the profit or loss when the hedged transaction results are recognized in profit or loss, such as when the hedged income or expense is recognized in profit or loss or when a forecast sale occurs. Where the hedged item is a non-financial asset or liability, this cost also includes the amount of the profit (loss) from the hedging instrument.

Hedge accounting is discontinued prospectively only when the hedging relationships (or part of them), no longer comply with the qualifying criteria (after taking into account any rebalancing of hedge relationships, if relevant) including cases where the hedging instrument expires, is sold, canceled or exercised. When the Company discontinues hedge accounting, the amount accrued in the hedge fund will remain in the hedge fund until the cash flow occurs or is classified in profit or loss, if the future hedged cash flows are no longer expected to occur.
When put options are used as hedging instruments, only the internal value of the options are designated for hedging, while the time value is recognized under finance expenses in the statement of income.

K. Treasury shares

The Company's shares held by it are presented at cost offset by the Company's capital. Any profit or loss from purchase, sale, issue or cancellation of treasury shares is recognized directly in equity.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

L. Leases

The Group accounts for a contract as a lease when the contract conveys the right to control the use of an identifiable asset for a period of time in exchange for consideration.

1. The Company as a lessee

For transactions in which the Group is a lessee, the Group recognizes a right of use asset and a lease liability on the inception date of the lease, with the exception of leases of up to 12 months and leases where the underlying asset has a low value, in which case the Group elected to recognize the lease payments as an expense in profit or loss on a straight line basis over the lease period.

At the inception date, the lease liability includes all the lease payments that are not paid, discounted by the interest rate implicit in the lease, when it can be readily determined, or at the incremental interest rate of the Company. After inception, the Company uses the effective interest method to measure the lease liability.

The right of use asset at the inception date is recognized in the amount equal to the lease liability plus lease payments made on or before the effective date plus transaction costs incurred.
The right of use asset is accounted for using the cost model and depreciated over the shorter of the lease term and the useful life.

Where there are indications of impairment, the Company assesses impairment of the right of use asset in accordance with IAS 36.

2. The Group as a lessor

The tests for classifying leases as finance or operating leases depend on the substance of the agreement and are made at the inception of the lease in accordance with the principles set out in the Standard:

A. Finance lease

A lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset is classified as a finance lease.

B. Operating lease

A lease that does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset is classified as an operating lease. The lease payments are recognized as income in profit or loss, on a straight-line basis over the lease term. Initial direct costs incurred for the lease are added to the cost of the leased asset and recognized as an expense over the lease period on the same basis.

3. CPI-linked lease payments

At the inception date of the lease, the Group uses the CPI rate in effect at the inception date to calculate future lease payments.

In transactions in which the Group is a lessee, changes in the amount of the future lease payments due to a change in the CPI are discounted (without a change in the discount rate applicable to the lease liability) by the right of use asset and are recognized as an adjustment to the lease liability, only when there has been a change in the cash flows from the change in the CPI (meaning, when the adjustment for the lease payments came into effect).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

L. Leases (cont.)

4. Variable lease payments

Variable lease payments that are based on performance or use and are not dependent on the CPI or interest rate are recognized as an expense in transactions in which the Group is a lessee, and as revenue in transactions in which the Group is a lessor, on the inception date.

5. Options to extend and cancel a lease period

The non-cancellable lease period also includes periods covered by an option to extend the lease when it is reasonably certain that the option to extend the lease period will be exercised and periods covered by an option to cancel the lease when it is reasonably certain that the option to cancel will not be exercised.
If there is a change in the expectation that the Company will exercise the option to extend the lease, or will not exercise the cancellation option, the Company re-measures the lease liability according to the revised lease period, using a new discount rate; the total change is recognized against the right-of-use asset until it is reduced to zero, and then in profit or loss.

M. Business combinations and goodwill

Business combinations are accounted for by the acquisition method. The cost of the acquisition is measured at the fair value of the consideration transferred at the acquisition date, including any non-controlling interests in the acquiree. In any business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value at the acquisition date or in accordance with the proportionate share of the fair value of the net identifiable assets of the acquiree. Direct acquisition costs are recognized in the statement of income as incurred.

In a business combination achieved in stages, the acquirer remeasures its previously held equity interest in the acquiree at its acquisition date at fair value and recognizes the revalued prior investment in the statement of income at the date control was established.

Contingent consideration is recognized at its fair value at the acquisition date. Contingent consideration is classified as a financing asset or liability according to IFRS 9. Subsequent changes in fair value of the contingent consideration are recognized in profit or loss. If the contingent consideration is classified as an equity instrument, it is measured at fair value on the acquisition date without subsequent measurement.

Goodwill is initially measured at cost which represents the difference between the acquisition consideration and the amount of non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the resulting amount of goodwill is negative, the acquirer will recognize the resulting gain on the acquisition date.

Acquisitions of subsidiaries that are not business combinations

Upon the acquisition of subsidiaries and operations that do not constitute a business, the acquisition consideration is only allocated between the acquired business identifiable assets and liabilities based on their relative fair values on the acquisition date without attributing any amount to goodwill or to deferred taxes, whereby the non-controlling interest, if any, participates at its relative share of the fair value of the net identifiable assets on the acquisition date. Direct costs related to the acquisition are discounted as part of the acquisition consideration.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

N. Investments accounted for using the equity method

The investment in an associate is accounted for using the equity method. According to this method, the investment in the associate is recognized in the balance sheet at cost plus changes in the Group's share in the net assets, including the other comprehensive income (loss) of the associate.

The equity method is implemented up to the earlier of the date the Group loses significant influence or the investment is reclassified as an investment held for sale according to IFRS 5.

Goodwill relating to the acquisition of an associate is initially measured as the difference between the acquisition cost and the Group's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is measured at cost and is not systematically amortized. Goodwill is tested for impairment as part of the investment in an associate as a whole.

If additional shares are acquired in an equity-accounted associate, the Group calculates the purchase price allocation for each tranche separately. Upon a decrease in the equity interests in an associate while retaining significant influence in the associate, the Company realizes a relative portion of its investment in the associate and recognizes a profit or loss from the disposal, including the reclassification of the proportionate share of cumulative amounts previously recognized in other comprehensive income (loss) of the associate.

Losses of associates in amounts which exceed their equity are recognized by the Company to the extent of its investment in the associates with the addition of any losses that the Company may incur as a result of a guarantee or other financial support provided in respect of these associates.

The financial statements of the Company and its associates are prepared as at the same dates and periods, other than one associate whose financial statements are prepared as at the three months preceding the date of the Company's financial statements. The Company makes adjustments for the effect of significant transactions or significant events occurring between the reporting date of the associate and the reporting date of the Company. Profit or loss from transactions between the Group and the associate is eliminated according to the rate of holding.

O. Investment property

An investment property is property (land or a building or both) held by the owner (lessor under an operating lease) or by the lessee under a lease to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services, for administrative purposes, or for sale in the ordinary course of business.

Investment property is measured initially at cost, including costs directly attributable to the acquisition. After initial recognition, investment property, including investment property under construction, is measured at fair value which reflects market conditions at the reporting date. Profits or losses arising from changes in the fair values of investment property are included in the statement of income when they arise.

The cost basis of investment property under development includes the cost of land plus the costs of credit used to finance the construction, direct incremental planning and development costs and brokerage fees for rental agreements.

The Group determines the fair value of investment property on the basis of a valuation by outside independent appraisers who are experts in the valuation of property and have the appropriate expertise experience as well on the valuation of internal expert appraisers.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

P. Property, plant and equipment

Items of property, plant and equipment are measured at cost with the addition of direct acquisition costs, less accumulated depreciation and impairment losses and excluding day-to-day servicing expenses. Cost includes spare parts and auxiliary equipment that can be used only in connection with the machinery and equipment.

Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

	%	Mainly %
Buildings	2-10	4
Vehicles	15-20	
Computers, furniture, and office equipment	6-33	
Leasehold improvements	Over the shorter of the lease term, including the extension option held by the Group and intended to be exercised, and the expected life of the improvement.	

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

Q. Borrowing costs for qualifying assets

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use.

The capitalization of borrowing costs commences when the activities to prepare the qualifying asset are in progress and ceases when substantially all the activities to prepare the qualifying asset for its intended use or sale are complete.
The amount of borrowing costs capitalized in the reporting period do not exceed over the borrowing costs that have been incurred in the reported period.

R. Impairment of non-financial assets

The Group evaluates the need to record an impairment of the carrying amount of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. When the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. When measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of the loss is limited to the lower of the amount of previously recognized impairment of the asset (net of depreciation or amortization) or the recoverable amount of the asset.

When testing for impairment of gas stations operated by a subsidiary in Israel, these stations are considered as a single cash generating unit, among others, due to the common customer base and the business inter-dependency of the various stations. Nevertheless, in cases where the subsidiary's management is of the opinion that certain stations do not contribute to the chain of gas stations, each of these stations is considered as a separate cash generating unit.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

R. Impairment of non-financial assets (cont.)

To test for impairment of oil and gas assets, the Group's assets in a number of reservoirs are grouped into one cash generating unit, in cases where there is dependence on positive cash flows arising from the reservoirs or there is joint use of infrastructure.

The following criteria are applied in testing for impairment of these specific assets:

1) Goodwill

The Group reviews goodwill impairment once a year or more frequently if events or changes in circumstances indicate that there is impairment.

Impairment is recognized for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill belongs. An impairment loss is recognized if the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is less than the carrying amount of the cash-generating unit (or group of cash-generating units). Impairment losses recognized for goodwill cannot be reversed in subsequent periods.

2) Investees accounted for using the equity method

After implementing the equity accounting method, the Group assesses whether it is necessary to recognize further loss for impairment of the investment in associates. At each balance sheet date, the Group assesses whether there is objective evidence that the investment in an associate has been impaired. Impairment is tested for the entire investment, including goodwill attributable to the associate. Impairment loss, as above, is not allocated specifically to goodwill that forms part of the investment and, accordingly, any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

S. Results of oil and gas exploration and development and investments in proved reserves

1) Expenses in the exploration and appraisal stage

Oil and gas investments and exploration are accounted for using the successful effort method, according to which:

A) Expenses for participation in geological and seismic tests and surveys, which are used to form a conclusion regarding the continuation of the exploration plan, are recognized in profit or loss as incurred.

B) Investments in oil and gas drillings that are in the drilling stage for reservoirs that are not yet proven to produce oil or gas or that are yet to be classified as being non-commercial, are recognized as exploration and appraisal assets in the balance sheet at cost under investment in oil and gas assets.

C) Investments in oil and gas drillings, for reservoirs proved to be dry and were abandoned, or that were classified as non-commercial, are written off from exploration and appraisal assets in the statement of income.

D) Investments for reservoirs that have technical feasibility and commercial viability of oil or gas production (which are being appraised in a range of events and circumstances, mainly approval from the Commissioner of Petroleum Affairs that the reservoir is a commercial discovery and/or obtaining a lease from the Commissioner in the license area), are classified as oil and gas assets, reclassified from exploration and appraisal assets to oil and gas assets.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

S. Results of oil and gas exploration and development and investments in proved reserves (cont.)

2) Oil and gas assets

The oil and gas assets item in the balance sheet includes costs accumulated for the Group's proven oil and gas assets. These costs, which include mainly costs for acquisition of rights (mainly in offshore areas), exploration drillings, engineering planning, development drilling, acquisition and establishment of production facilities and pipelines for the delivery of the oil the gas to the point onshore, and the estimated costs for disposing of the assets (see Section 5 below). The costs in this Section are amortized to the statement of income according to the units of production method, based on the actual production volume in the period compared with the total proved and probable reserves (hereinafter - “2P”), as appraised by an external expert. When calculating the amortization of oil and gas assets on the basis of 2P reserves, the Group takes into account the future amount (in undiscounted values) of the investments required to produce the same amounts. This amount is also estimated on the basis of an external expert opinion.

3) Testing for impairment of exploration and appraisal assets and oil and gas assets

Oil and gas exploration and appraisal assets are tested for impairment when the facts and circumstances indicate that the carrying amount of the exploration and appraisal asset and the oil and gas asset exceeds its recoverable amount in accordance with IFRS 6 and IAS 36 (see Section S above).

4) Farm-out agreements in the exploration and appraisal stages

In farm-out arrangements, the farmee transfers all the risks and rewards to the farmor for the transferred part in exchange for the farmor's undertaking to finance certain costs.

A) Farm-out agreements

Farm-out is the transfer of part of the rights in an oil and/or gas field in consideration for an agreement by the transferee (hereinafter - the “Farmee") to meet, absolutely, certain expenses that would otherwise have to be undertaken by the owner (hereinafter - the “Farmor").

The Farmor accounts for the farm-out arrangement as follows:

(1) The Farmor does not record any expense made by the Farmee on its behalf.
(2) The Farmor will derecognize the part of the oil and gas rights sold to the Farmee.
(3) The Farmor recognizes the farm-out arrangement in profit or loss in the amount of the difference between the consideration received or due and the carrying amount of the derecognized rights.

B) Farm-in agreements

Farm-in is the acquisition of part of the right in an oil and/or gas field in consideration for an agreement with the owner (hereinafter - the “Farmor”) to sell part of the rights to the farmee (hereinafter - “Farmee”). In farm-in transactions where the acquired business does not constitute a business, the accounting treatment is as follows:
As the costs are incurred, the Farmee recognizes the expense or asset, as the case may be, for its share in the oil and gas assets and for the Farmor's remaining rights, in compliance with the accounting policy for exploration and appraisal assets.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

S. Results of oil and gas exploration and development and investments in proved reserves (cont.)

4. Farm-out agreements in the exploration and appraisal stages (cont.)

B) Farm-in agreements (cont.)

The Farmee accounts for the farm-out arrangement as follows:

(1) The Farmee recognizes its share in the expenses in accordance with the farm-out agreement, including expenses arising from the part that the Farmor imposed on the Farmee under the farm-out agreement.
(2) The Farmor recognizes expenses in accordance with the farm-out agreement in the same way that it accounts for exploration and appraisal costs that it bears directly.

Expenses entailed in the purchase of rights to licenses, titles and preliminary permits for oil and gas drilling, including increasing the Group's share in joint ventures, are accounted for as aforesaid.

The surplus cost from a business combination or acquisition of companies, partnerships and joint ventures that own such reserves, is allocated to investment in oil and gas reservoirs and amortized as described above. The surplus cost from licenses before start of production is not systematically amortized.

5) Measuring an asset and obligation to dispose of assets

The Group recognized for the first time a liability together with an asset (which is amortized according to the depletion method described above) for its share in the obligation to dispose of assets, mainly the production platform at the end of its use for decommissioning of wells. The liability was first measured at present value and the expenses arising from the passage of time are recognized in profit or loss. Changes in timing and in the amount of economic resources that are required for disposal of the obligation and changes in the discount rate are added or deducted from the asset in the current period together with a change in the liability.

6. The tax on oil profits under the Taxation of Profits from Natural Resources Law, 2011 is accounted for in accordance with IFRIC 21, Levies, according to which the expense for the levy is recognized on the date on which the obligation to pay arises.

T. Taxes on income

The tax results for current or deferred taxes are recognized in the statement of income except to the extent that the tax arises from items which are recognized directly in equity or in other comprehensive income.

1) Current taxes

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date as well as adjustments required in connection with the tax liability for previous years.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

T. Taxes on income (cont.)

2) Deferred taxes

Deferred taxes are computed for temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes, with a limited number of exceptions. Deferred tax balances are calculated according to the tax rate that is expected to apply to equity at the reversal date, based on tax laws that have been enacted or substantively enacted by the balance sheet date.

At each reporting date, deferred tax assets are assessed in accordance with their expected use. Carryforward losses and deductible temporary differences for which deferred tax assets were not recognized are tested at each balance sheet date and the relevant deferred tax asset is recognized if it is expected to be utilized.

The calculation of deferred taxes does not take into account the taxes that would be applicable in the case of disposal of investments in investees, provided that the sale of these investments is not likely in the foreseeable future. Also, deferred taxes that would apply in the event of distribution of earnings by investees as dividends have not been taken into account in computing deferred taxes, since the distribution of dividends does not involve an additional tax liability or since it is the subsidiary's policy not to initiate distribution of dividends that triggers an additional tax liability.

In the event of sale of shares of a subsidiary, the tax effects arising from net profits or losses accrued up to the date of sale for the exercised shares are recognized in the statement of income or other comprehensive income, as relevant, while the effect of tax for the difference between the consideration received and the balance of the investment in the exercised shares immediately before the sale is recognized directly in equity.

Deferred taxes are offset in the statement of financial position if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

U. Share-based payments

The employees of some of the Group companies are entitled to share-based payment awards that are settled in cash (hereinafter - “Cash-settled Transactions”).

Cash-settled Transactions

The cost of Cash-settled Transactions is measured at fair value on the grant date using a standard pricing model. The fair value is recognized as an expense over the vesting period and a corresponding liability is recognized. The liability is remeasured at each reporting period until settled at fair value with any changes in fair value recognized in the statement of income.
Benefits that include the right of the employee or service provider to sell back to the Company or to the Group companies its shares are accounted for as Cash-settled Transactions.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

V. Liabilities for employee benefits

The Group has several employee benefit plans:

1) Short-term employee benefits

Short-term employee benefits are benefits which are expected to be fully paid up to 12 months after the end of the annual reporting period in which employees provide the services. A liability for a cash bonus or a profit-sharing plan is recognized when the Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

2) Post-employment benefits

The Group has defined contribution plans pursuant to Section 14 to the Severance Pay Law in Israel, under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and certain periods.

Contributions to the defined contribution plan for severance pay or compensation are recognized as an expense when contributed simultaneously with receiving the employee's services.

In addition, the Group has a defined benefit plan for severance pay under the Severance Pay Law. According to the Law, employees are entitled to severance pay upon dismissal or retirement. The liability for severance pay is measured on the basis of the actuarial value of the projected credit unit. The actuarial assumptions include future salary increases and rates of employee turnover based on the estimated timing of payment. The amounts are based on discounted expected future cash flows using the interest rate based on the yield at the reporting date on CPI-linked high quality corporate debentures with maturity dates approximating the period for the Group's obligation for severance pay.

The Company makes current deposits for its liability for severance pay to some of its employees in pension funds and insurance companies (hereinafter - the “Plan Assets").

W. Revenue recognition

Revenue from contracts with customers is recognized in profit or loss when control of the asset or service is transferred to the customer. The price of the transaction is the amount of the consideration expected to be received in accordance with the terms of the contract, less the amounts collected for third parties (such as taxes).
In determining the amount of revenue from contracts with customers, the Group assesses whether it acts as a principal or as an agent in the contract. The Group is a principal when it controls the promised goods or services before it is transferred to the customer. In such cases, the Group recognizes revenue in the gross amount of the consideration. In cases where the Group acts as an agent, the Group recognizes revenue on a net basis, net of the amounts due to the principal.

Revenue from royalties

Revenue from royalties for gas and oil assets is recognized on an accrual basis, in accordance with the nature of the agreement and its terms.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

W. Revenue recognition (cont.)

Revenue from oil and gas sales

Revenue from the sale of oil and gas is recognized in profit or loss at a point in time when control is transferred to the customer. Control is generally transferred when ownership of the oil or gas is transferred to the customer.
The Group charges its customers in accordance with the payment terms in specific agreements; payments may be made before or after control is transferred, and accordingly the Group recognizes an asset or liability for the contract with the customer.

Costs of obtaining a contract

For obtaining some of the contracts with its customers, the Partnership bears incremental costs of obtaining the contract. Costs of obtaining a contract with a customer that would not have incurred if the contract had not been obtained and the Partnership expects to recover the costs, are recognized as an asset and amortized on a systematic basis that is consistent with the transfer of services to which the specific contract relates. The Partnership recognizes an impairment loss of a contract asset in profit or loss when the carrying amount of the asset exceeds the difference between the amount of consideration the Partnership is expected to receive for the related goods or services and the costs of providing the goods or services not yet recognized as an expense.
The Partnership elected to apply the optional expedient under IFRS 15, whereby it recognizes incremental costs to obtain a contract as an expense as incurred, with the amortization period of the asset being up to 12 months from the date the contract is obtained.

X. Earnings (loss) per share

Earnings (loss) per share are calculated by dividing the net profit (loss) attributable to shareholders of the Company by the weighted number of ordinary shares outstanding during the period.
Basic earnings per share only include shares that were actually outstanding during the period.
Potential ordinary shares are only included in the computation of diluted earnings per share when their conversion decreases earnings per share from continuing operations. Further, potential ordinary shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share. The Company's share of earnings of investees is based on the earnings per share of the investees multiplied by the number of shares held by the Group.

Y. Provisions

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, the provisions are measured at their present value.

1) Environmental quality

The Group's financial statements include a provision for expected expenses related to decontamination and remediation of environmental hazards. The provision is recorded when the management believes that it is probable that the Company will be required to pay the costs and the amount of can be reasonably estimated. Environmental liabilities represent an estimate of the costs arising from examination and remediation of the contaminations created.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Y. Provisions (cont.)

1) Environmental quality (cont.)
The management's assessment is based on internal and external estimates of the contaminations and the existing relevant remediation technology, and a review of applicable environmental regulations. Environmental liabilities accrue mostly no later than upon completion of the remedial review. The provision for these liabilities is adjusted as additional information is obtained or the circumstances change.

2) Legal claims

A provision for claims is recognized if, as a result of a past event, the Group has a present legal or constructive obligation and it is more likely than not that the Group will require its economic resources to settle the obligation, and the amount of the obligation can be estimated reliably. When assessing the need for recognition and measurement of the provisions, Group companies are assisted by legal counsels.

Z. Non-current assets or a disposal group held for sale and discontinued operations

Non-currents assets or a disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. These assets are not depreciated and are presented separately in the balance sheet, at the lower of their carrying amount and fair value less costs to sell. If the carrying amount is higher than the fair value less costs to sell, an impairment loss is recognized for the assets (or disposal group) to the extent of the difference. At the same time, liabilities associated with these assets are presented separately in the balance sheet, in a similar manner.

When the parent decides to sell part of its interest in a subsidiary so that after the sale the parent retains a non-controlling interest, all the assets and liabilities attributed to the subsidiary are classified as held for sale and the relevant provisions of IFRS 5 are applicable, including presentation as discontinued operations.

A discontinued operation is an operation that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations. The operating results of an operation that was discontinued or disposed of for all reporting periods (including comparative figures) are presented separately under profit (loss) from discontinued operations.

AA. Fair value measurement

Fair value is the price that would be received when selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement assumes a transaction taking place in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market.

The fair value of the asset or liability is based on assumptions that would have been used by market participants to price the asset or liability, assuming that market participants act in their economic interests.

The Group uses valuation techniques that are appropriate to the circumstances and for which sufficient information is available to measure fair value, while maximizing the use of relevant observable data and minimizing the use of unobservable inputs.

All assets and liabilities measured at fair value, or for which there was fair value disclosure, are categorized within the fair value hierarchy, based on the lowest level of the data, which is significant to fair value measurement of a whole.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

BB. Application of new 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 (hereinafter - the "Amendments").

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

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

The Amendments also permit changes required by the IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued when certain conditions are fulfilled. The Amendments provide temporary practical expedient 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.

CC. Disclosure of new IFRSs in the period prior to their adoption

1. Amendment to IAS 37, Provisions, Contingent Liabilities and Contingent assets

In May 2020, the IASB issued an amendment to IAS 37 to clarify what costs an entity considers in assessing whether a contract is onerous (hereinafter - the "Amendment").

According to the Amendment, this assessment should include both incremental costs (such as raw materials and direct working hours) and the allocation of other costs that relate directly to fulfilling the contract (such as depreciation of property, plant and equipment and equipment used in fulfilling the contract).

The Amendment will be applied for annual reporting periods beginning on January 1, 2022, or thereafter. The Amendment will apply to contracts for which the obligations have not yet been fulfilled as at January 1, 2022. Earlier application is permitted.

In the Group's opinion, the Amendment is not expected to have a material effect on the financial statements.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

CC. Disclosure of new IFRSs in the period prior to their adoption (cont.)

2. Improvements to IFRSs 2018-2020

In May 2020, the IASB issued amendments in the annual improvements to IFRSs 2018-2020 project. The following is the main amendment to IFRS 9:

The amendment to IFRS 9 clarifies the fees a company includes when it applies the '10 per cent' test in Section B.3.3.6 of IFRS 9 in assessing whether the terms of a modified or exchanged financial liability are substantially different from the terms of the original financial liability.

The amendment will be applied for annual reporting periods beginning on January 1, 2022 or after. Earlier application is permitted. The amendment will be applied for the debt instrument that was modified or exchanged as of the year in which the amendment to the standard was first applied.

3. Amendment to IAS 1, Presentation of Financial Statements

The amendment clarifies that the current or non-current classification of liabilities is based on the existing rights at the end of the Reporting Period and is not affected by the entity's expectation to exercise such right.
The Revision rescinded reference to the existence of an unconditional right and clarified that if the right to defer payment is conditional on compliance with financial criteria, the right exists if the entity complies with such criteria set for the end of the reporting period, also if compliance with the criteria is tested by the lender at a later date.
Furthermore, under the amendment, a definition was added to the term "settlement" in order to clarify that payment could be the transfer of cash, goods and services or capital instruments of the entity itself to the other party. In this context, it was clarified that if under the terms of the liability, the other party has an option to demand settlement with the entity's equity instruments, such condition does not affect the classification of the liability as current or non-current if the option is classified as a separate equity component in accordance with IAS 32 - Financial Instruments: Presentation.
The Revision only affects the classification of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of such liabilities or the income and expenses relating to them.

The amendment will be applied for annual reporting periods commencing January 1, 2022 or thereafter. Early application is permitted.

The Company is assessing the effect of the Amendment on its current loan agreements.

4. 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 (hereinafter - the "Amendment"). The purpose of the Amendment was to introduce 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 they 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 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 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

CC. Disclosure of new IFRSs in the period prior to their adoption (cont.)

5. Amendment of IFRS 3, Business Combinations (regarding reference to the Conceptual Framework)

   Under the amendment, the reference was updated to the 2018 Conceptual Framework instead of the 1989 Conceptual Framework. The amendment requires the buyer to apply the provisions of IAS 37 in order to determine whether, on the acquisition date, there is a present obligation from past events, and with respect to levies under IFRIC 21, to apply the provisions of IFRIC 21 in order to determine whether the event that requires payment of a levy occurred by date of the acquisition. Furthermore, an explicit declaration was added that the buyer does not recognize contingent assets acquired in a business combination.

   The amendment will be applied in respect of business combinations for which the acquisition date is from or after January 1, 2022. Early application is permitted on condition that the entity applies the other updated references to the conceptual framework published together with the new conceptual framework in March 2018.

6. Amendment to IAS 1, Presentation of Financial Statements (regarding disclosure of accounting policies)

   The amendment replaces the term “significant accounting policies” with “material information about accounting policies”. Information about accounting policies is material if, when considered together with other information included in the financial statements of an entity, it can be expected to reasonably affect the decisions made by the primary users of financial statements for general purposes based on those financial statements.

   Furthermore, the amendment clarifies that information about accounting policies that relates to transactions, events or other condition that are immaterial, is not material and need not be disclosed. Information about accounting policies may be material because of the nature of the transactions, events or other related conditions, even if the amounts are immaterial. However, not all information about accounting policies concerning material transactions or other events or conditions is in itself material.

   The amendment will be applied henceforth for annual reporting periods beginning on January 1, 2023 or after. Early application is permitted.

NOTE 3 - CASH AND CASH EQUIVALENTS

		December 31	
		2021	2020
		NIS millions	
A.	Cash balances and deposits available for immediate withdrawal		
	In NIS	5	11
	Foreign currency	767	122
		772	133
B.	Short-term deposits		
	In NIS	313	155
	Foreign currency	62	114
		375	269
		1,147	402

NOTE 4 - SHORT-TERM INVESTMENTS

	December 31	
	2021	2020
	NIS millions	
Financial assets at fair value through profit or loss	67	-
Bank deposits	-	1
Restricted bank deposits *)	529	558
	596	559

*) As at December 31, 2021, the deposits include USD 100 million (NIS 311 million), in connection with the issue of Leviathan Bond debentures in NewMed Energy (see Note 12J(1)).

In addition, as at December 31, 2021, including deposits in the amount of NIS 155 million in pledged accounts for payments to the Company's debenture holders (as at December 31, 2020, NIS 92 million) (see Note 18).

NOTE 5 - RECEIVABLES

A. Composition:

	December 31	
	2021	2020
	NIS millions	
Open debts	1,170	820
Less provision for doubtful accounts *)	-	-
Trade receivables, net	1,170	820

*) In 2021 and 2020, the average credit for customers is up to 90 days.

B. As at December 31, 2021, there are no past due receivables.

NOTE 6 - OTHER RECEIVABLES

	December 31	
	2021	2020
	NIS millions	
Prepaid expenses and advances to suppliers	90	77
Proceeds from sale of oil and gas assets	33	-
Amounts receivable for a loan granted for the sale of the Karish and Tanin leases (2)	42	46
Income due from royalties receivable for Karish and Tanin (2)	76	-
Related parties, interested parties and associates	5	12
Current maturities of long-term long-term loans and debit balances	1	33
Institutions	2	2
Receivables for joint ventures (1)	73	15
Other receivables	5	6
	327	191

(1) The balance is mainly in respect of transfer of advance payments by NewMed Energy to Chevron, from joint venture activities in gas or oil in Israel, mainly to finance the share of NewMed Energy in the joint ventures.

(2) See Note 12F.

NOTE 7 - INVENTORIES

	December 31	
	2021	2020
	NIS millions	
Crude oil inventory	360	210
Related material inventory	192	133
	552	343

NOTE 8 - LONG-TERM LOANS, DEPOSITS AND RECEIVABLES

A. Composition:

	Note	December 31 2021	December 31 2020
		NIS millions	
Loans			
Loan recognized for the sale of The Phoenix	10E	189	143
Seller's Loan to Fattal Hotels Ltd.		-	33
Loan provided for the sale of the Karish and Tanin leases	12F	158	186
		347	362
Less - current maturities		-	33
		347	329
Other long-term balances			
Royalties receivable from the sale of the Karish and Tanin leases	12F	740	779
Access fee for the Dolphinus agreement	12L(1)(D)	306	384
Amounts receivable for undertaking to dispose of assets	10F	768	787
Amounts receivable from an associate		52	72
Restricted deposits (1)		453	550
Ministry of Energy for royalties	12M	107	40
Receivables for joint ventures		275	194
Others		62	41
		2,763	2,847
		3,110	3,176

(1) As at December 31, 2021, the deposits include USD 100 million (NIS 311 million), representing a safety cushion for the issue of Leviathan Bond debentures in NewMed Energy (in 2020, NIS 386 million) (see Note 12J) and NIS 44 million, representing a safety cushion for the debentures issued by Delek Leviathan Overriding Royalty (see Note 12K) (in 2020, NIS 63 million). In addition, a deposit of NIS 67 million was included for the Company's undertaking to support the bank debt of the buyers of The Phoenix; see Section 10E below (in 2020, NIS 143 million).

B. For information about liens, see Note 24.

C. For information about royalties due from the sale of the Karish and Tanin leases, see Note 12F below.

NOTE 9 - OTHER FINANCIAL ASSETS

	December 31	
	2021	2020
	NIS millions	
Financial assets at fair value measured through profit or loss		
Marketable shares	-	21

NOTE 10 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS

A. (1) Composition

	Associates	
	December 31	
	2021	2020
	NIS millions	
Shares	472	678 *)
Loans	-	1
	472	679

*) Adjusted retrospectively, see Note 10H(1) below.

(2) Composition by company

	December 31	
	2021	2020
	NIS millions	
Delek -The Israel Fuel Corporation Ltd. (see Section H below)	140	413 *)
Delek Israel Properties (see Section H below)	134	-
EMED (see Section I below)	198	216
Others	-	50
	472	679

*) Adjusted retrospectively, see Note 10H(1) below.

B. Condensed information from the financial statements of associates

Aggregate information for all associates:

	For the year ended		
	December 31		
	2021	2020	2019
	NIS millions		
Group share of results of associates based on percentage of interest held during the period (not including associates recognized as a discontinued operation):			
Profit (loss) *)	44	(10)	(23)
Other comprehensive income (loss)	-	(2)	(4)
Comprehensive income (loss)	44	(12)	(27)

*) After adjustments for excess cost.

NOTE 10 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (cont.)

C. Investments in shares of investees listed on the TASE

	December 31, 2021			December 31, 2020	
	Carrying amount	Market value	Market value shortly before publication of the report	Carrying amount	Market value
			NIS millions		
Consolidated companies					
NewMed Energy – Limited Partnership *)	2,992	4,314	6,096	3,556	2,490
Associates					
GulfSlope	-	9	12	-	4

*) Refers to a direct investment by the Company and an indirect investment through Delek Energy.

D. Additional information about subsidiaries held directly by the Company

	Country of incorporation	The Company's rights in capital and voting rights	Amounts provided by the Company to of a subsidiary		Retained investment in a subsidiary (according to equity method)
			Loans and capital notes	Guarantees	
		%	NIS millions		
December 31, 2021					
Delek Energy Systems Ltd.	Israel	100	-	-	2,707
NewMed Energy – Limited Partnership	Israel	5.06	-	-	414
Delek Sea Maagan 2011 Ltd.	Israel	100	29	-	32
Delek Petroleum Ltd.	Israel	100	-	-	791
DKL Investments Limited	Jersey	100	2,007	156 *)	(512)
1099494 B.C. Ltd.	Canada	100	-	21	-
Delek Financial Investments (2012) Limited Partnership	Israel	100	-	-	18
Delek Power Plants - Limited Partnership	Israel	100	254	-	(259)
Delek Infrastructure Ltd.	Israel	100	-	-	(33)
			2,290	177	3,158

*) Guarantees provided to DKL for in respect of the convertible loan taken in connection with the acquisition of CNSL.

NOTE 10 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (cont.)

E. Transaction for the sale of shares of The Phoenix Holdings Ltd. (hereinafter - "The Phoenix")

1. On November 3, 2019, the transaction was completed for the Company's sale of 32.5% of the share capital of The Phoenix to a company controlled by international private equity funds (hereinafter - the "Buyer") for a consideration of NIS 1.57 billion at closing date of the transaction. Of this amount, NIS 1.3 billion was received in cash by the Company at the closing date and the balance was provided to the Buyer as a loan (as described below).

   The agreement stipulated adjustments to the sales price, which may result in an increase in the total consideration to be received by the Company, beyond the amount of NIS 1.57 billion, in an amount of up to NIS 866 million, subject to certain adjustments, or to a reduction in the total consideration of up to NIS 196 million. These adjustments include reference to the previous profits of The Phoenix at the closing date, adjustments arising from an increase or decrease in the value of The Phoenix shares, including for a notional option granted to the Buyer for 7.5% of The Phoenix shares (hereinafter - the "**Option**") and the rate of return of the Buyer in the investment period in The Phoenix.

   Part of the consideration paid by the Buyer was financed by a senior loan of NIS 548 million received by the Buyer from financial institutions (hereinafter - the "Senior Loan"). The loan is for a period of five years, with two options for extension of one year each, subject to the fulfilment of certain conditions. The interest for the senior loan will be paid every six months under the terms set out in the agreement. The interest and principal of the loan will be repaid from the dividends to be received by the Buyer from The Phoenix in the loan period and from the consideration claimed from it from the sale of The Phoenix shares. The Company signed a credit support document (hereinafter - the "Credit Support Agreement") with the financial institutions to back up the loan in certain events stipulated in the agreement, including backing for interest payments by the Buyer, payment of certain fees for the loan, including early repayment fees, and also undertook to guarantee some of the Buyer's liabilities and in this respect, to deposit certain marketable securities and/or financial deposits at a total initial amount of NIS 70 million, and under the terms and conditions set out in the letter of undertaking. or even increase the deposits.

   The amounts that the Company is required deposit in the pledged deposits and the dates on which it is required to deposit them are defined in the agreement, and the amounts may exceed a maximum amount of up to 50% of the amount of the First Degree Loan (plus the amount deposited in a reserve to guarantee interest on the First Degree Loan), if the events defined in the agreement occur, including: 1. non-compliance with certain financial conditions with respect to The Phoenix and/or the Senior Loan defined in the liability agreement; 2. a downgrade in the credit rating of The Phoenix (below a rating of BBB+); 3. a material debt of the Company (as this term is defined in the agreement) was called for immediate repayment due to an event of default; 4. the Company breached a commitment to pay a debt of least NIS 25 million for a material debt; and 5. a downgrade in the credit rating of the Company which constitutes an event of default in respect of the material debt. If the Company breaches its obligation to deposit the required amounts and in the event of a breach of representation for the financial statements of The Phoenix, the maximum amount it may be required to deposit may exceed 100% of the amount of the Senior Loan, and then the Company has the right to call for the endorsement of the Senior Loan. Further to Note 1B above regarding the effect of global events on the Company's financial position, in June 2020 and November 2021, the support agreement was amended. Under the support agreement of November 2021, it was determined, among other things, that as long as the debt towards the debenture holders is not called for immediate repayment or the expiration condition for repayment in the amendment to the deed of trust (as set out in Note 18G below) does not materialize, completion of additional collateral will be limited to an amount of NIS 80 million on the occurrence of one or more of the events set out in the support agreement relating to the Company, and an amount of NIS 120 million on the occurrence of one or more of the events relating to The Phoenix or to The Phoenix and the Company together. Following the amendment to the support agreement, in November 2021, an amount of NIS 68 million was released from the financial deposits and marketable securities that the Company had pledged to back the Senior Loan.

NOTE 10 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (cont.)

E. The Phoenix Holdings Ltd. (hereinafter -"The Phoenix") (cont.)

1. (cont.)
In addition, as part of the agreement to sell The Phoenix shares, the Company provided a subordinated loan of NIS 235 million to the Buyer (hereinafter - the "**Seller's Loan**"). The loan is for a period of 5 years (with an option to extend for two more years under certain conditions). The loan will bear interest at a rate that will cause the Acquirer to pay for both the Senior Loan and the Subordinated Loan a rate of 4% per year for the first 5 years, 7% for the sixth year, and 8% for the seventh year. The interest and principal of the loan will be paid out of the dividend receipts by the Buyer, proceeds from the sale of The Phoenix shares, as well as adjustments to the transaction price that the Company undertook to pay to the Buyer under certain conditions, as set out above. To secure its liabilities related to the loan, the Buyer pledged, among other things, The Phoenix shares that it holds in favor of the Company as a second-ranking lien. It should be noted that interest for the Senior Loan that the Company is required to pay under the support agreement is added to the reserve of the Seller's Loan.

It should be noted that in April and November 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 Seller's Loan and the Senior Loan. Accordingly, in 2021, the Buyers paid the Company an amount of NIS 52 million and repaid an amount of NIS 53 million from the Senior Loan. As at December 31, 2021, subsequent to the repayments, the balance of the Senior Loan (including the accrued interest) amounts to NIS 496 million and the balance of the Seller's Loan amounts to NIS 235 million.

The Seller's Loan, components of contingent consideration, and future adjustments (including for the Option) are measured in the financial statements at fair value through profit or loss. As at December 31, 2021, the net fair value of these instruments amounts to NIS 189 million (as at December 31, 2020, NIS 143 million). The fair value was assessed by an outside independent appraiser using the Longstaff-Schwartz model, assuming risk neutrality. In addition, the annual standard deviation of The Phoenix shares was estimated at 30% and the annual dividend return was estimated at 7%. In view of the risk neutrality, the discount rate used in the valuation is a risk-free interest curve throughout the loan period.
The profit generated for the Company as a result of the revaluation of the loan amounted to NIS 84 million in 2021 (in 2020, a loss of NIS 22 million) and it is included in the statement of income under profit (loss) from discontinued operations, net.

NOTE 10 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (cont.)

E. The Phoenix Holdings Ltd. (hereinafter -"The Phoenix") (cont.)

2. Below is information about the operating results of The Phoenix presented in the statement of income under profit (loss) from discontinued operations

	For the year ended December 31		
	2021	2020	2019
	NIS millions		
Revenue	-	-	15,081
Cost of revenues	-	-	12,002
Gross profit	-	-	3,079
Selling expenses	-	-	1,416
General and administrative expenses	-	-	998
Other revenues (expenses), net	-	-	(2)
Operating profit	-	-	663
Finance expenses	-	-	116
Share in earnings of associates	-	-	47
Profit before tax	-	-	594
Taxes on income	-	-	185
Reversal of impairment of the investment	-	-	3
Profit from disposal of The Phoenix shares	-	-	66
Change in the value of the Seller's Loan and contingent consideration	84	(22)	(12)
Profit from discontinued operations of The Phoenix	84	(22)	466
Attributable to:			
Shareholders of the Company	84	(22)	230
Non-controlling interests	-	-	236
	84	(22)	466

3. Composition of net cash flows attributable to the discontinued operations of The Phoenix:

	For the year ended December 31		
	2021	2020	2019
	NIS millions		
Net cash from (used for) operating activities	-	-	2,404
Net cash used for investing activities	-	-	(386)
Net cash from financing activities	-	-	294
			2,312
Cash received from the disposal of the investment in The Phoenix	-	-	1,320
	-	-	3,632

NOTE 10 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (cont.)

F. Investment in shares of Ithaca Energy Limited (hereinafter - "Ithaca")

1. The Company holds 100% of the share capital of Ithaca, which operates in oil and gas exploration, production and sale in the North Sea, holds rights to oil assets in the North Sea, in territorial waters of the United Kingdom, and is the operator in most of its assets.

2. On May 29, 2019, Ithaca entered into an agreement with Chevron Products UK Limited (hereinafter - the “Seller”) for the acquisition of 100% of the shares of Chevron North Sea Limited (hereinafter - “CNSL”) owned by the Seller. CNSL owns rights in ten producing oil and gas assets in the North Sea region of the UK, drilling and exploration licenses, and infrastructure, and has professional and skilled human resources, all of which are part of the acquisition transaction.
   On November 8, 2019, after fulfilment of all the preconditions, the transaction was completed. As part of completion of the transaction, Ithaca paid Seller the consideration, which amounted to USD 1.677 billion, after deducting the funds accumulated at CNSL since January 1, 2019. In addition, an amount of USD 50 million was paid for working capital.

   As from the completion date, Ithaca assumed all the rights and liabilities of CNSL for the acquired assets, including the oil assets, and provided guarantees (letters of credit) funded by RBL, for CNSL's decommissioning obligations for the acquired assets, instead of the collateral provided by CNSL or its related companies.
   Alongside completion of the transaction, companies in the Ithaca Group signed agreements with companies in the BP International Oil Limited Group (hereinafter - “**BP**”) for the distribution and marketing of gas and oil from the acquired assets for a period of five years.

3. In addition to the above, in November 2020, Ithaca distributed USD 100 million in dividends. In May 2021, Ithaca distributed a dividend in the amount of USD 15 million.

4. As set out in Note 12S(10) below, in July 2021, Ithaca completed the refinancing process following which Ithaca repaid the Group USD 250 million (approx. NIS 800 million) on account of a shareholder loan. Subsequent to the repayment, as of December 31, 2021 the balance of the Group's loan to Ithaca (including accrued interest) amounts to USD 32 million (NIS 100 million).

5. On November 2, 2021 Ithaca entered into agreement for the purchase of the entire share capital of Marubeni Oil and Gas (U.K.) (Limited) (hereinafter - the “Acquired Company”). The Acquired Company operates in the energy segment in the North Sea region; its main assets and liabilities include, among other things: (a) 41.3% rights in oil assets in the MonArb area (comprising 9 producing oil fields), as well as other oil assets, cash to be accrued by the Acquired Company as from January 1, 2021 (hereinafter - the “Effective Date”), and liabilities for decommissioning of oil wells (estimated, based on the information provided by the seller, at USD 255 million (post-tax). In addition, to the best of Ithaca’s knowledge, the acquired company has accumulated tax losses of USD 1.6 billion as of December 31, 2020. The transaction was completed subsequent to the balance sheet date, on February 4, 2022.

NOTE 10 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (cont.)

F. Investment in shares of Ithaca Energy Limited (hereinafter - "Ithaca") (cont.)

5. (cont.)
The non-contingent consideration set out in the agreement for the acquisition is USD 140 million, which is being paid as follows: (A) on the signing date of the agreement and as part of the purchase price, an amount of USD 7 million was deposited, which will be offset from the acquisition price on the Transaction Completion Date; (B) an amount of USD 70 million was paid on the Transaction Completion Date, through the cash accrued by the acquiree from the Effective Date until the Transaction Completion Date, less the said deposit; (C) an amount of USD 70 million will be paid as deferred consideration on July 1, 2025. In respect of the deferred consideration, the Buyer undertook to provide the Seller with a collateral on the Transaction Completion Date. In addition to the non-contingent consideration, the Agreement provides for an additional consideration of up to USD 225 million, which is contingent on future activity in the oil assets of the Acquired Company and shall be paid on the dates at which the activity shall take place, if any, according to the a mechanism prescribed by the Agreement and in return for an additional consideration of up to USD 30 million, contingent on the price of oil products, such that it is paid provided oil prices remain within certain ranges defined in the Agreement.

6. In February 2022, Ithaca signed an agreement with Sumitomo Corporation for the acquisition of 100% of the share capital of Summit Exploration and Production Limited (hereinafter - the “Acquired Company”) for USD 148 million. The Acquired Company owns producing gas and oil assets. The completion of the Transaction depends, among other things, on fulfillment of the conditions precedent set in the Acquisition Agreement, including, among other things, receipt of generally accepted regulatory approvals, including the approval of the UK Oil and Gas Authority. Ithaca believes that the Transaction may be completed in the second quarter of 2022. If the transaction is completed, Ithaca will be entitled to cash accrued in the Acquired Company as at January 1, 2021, which Ithaca estimates is likely to amount to USD 50 million.

7. For information about the open hedging transactions on oil and gas prices, as at December 31, 2021, see Note 19.

8. For information about the issue of a convertible financial instrument in the amount of USD 50 million, see Note 18H to the financial statements.

9. For further information about the oil and natural gas assets of Ithaca and the assessments of their recoverable amount in 2021 and 2020, see Notes 12S(9).

G. Investment in NewMed Energy

1. As at December 31, 2021, the Company holds directly and indirectly 54.7% of the capital of NewMed Energy which operates mainly in exploration, development, and production of natural gas, condensate, and oil in Israel and Cyprus, and in advancing various natural gas-based projects, with the aim of increasing sales of natural gas produced by the Partnership. In parallel, the Partnership is assessing business opportunities for natural gas, condensate, and oil exploration, development, production, and marketing in other countries, as well as possibilities for entry into the renewable energy and blue hydrogen segments, which could be a low carbon alternative for energy consumers.

2. In 2020, the Group disposed of 5% of the capital of NewMed Energy. Post-disposal, the equity attributable to the Company's shareholders decreased by NIS 313 million (including attribution to capital reserves from transactions with non-controlling interests).

3. In 2020, NewMed Energy declared a dividend of USD 157 million (NIS 509 million), with the Group's share amounting to NIS 278 million. In 2021, NewMed Energy declared a dividend distribution of USD 286 million (NIS 899 million); the Group's share amounts to NIS 492 million. (of which 145 were received subsequent to the balance sheet date, in January 2022). .

NOTE 10 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (cont.)

F. Investment in NewMed Energy (cont.)

4. On May 4, 2021, the general partner and the trustee asked the Tel Aviv District Court to exercise its powers under Sections 350 and 351 to the Companies Law, 1999 (hereinafter - the "Companies Law"), and summon a general meeting of the holders of participation units issued by the trustee (hereinafter - the "Participation Units"), of the Partnership, to discuss the approval of an arrangement whereby the Participation Units would be swapped for ordinary shares in a new company, NewMed Energy Plc(hereinafter - "NewMed") (hereinafter - the "Arrangement"), incorporated in England, and which will hold all of the trustee's and the general partner's rights in the Partnership (100%). NewMed's shares would be dual-listed on the Tel Aviv Stock Exchange and on the London Stock Exchange. 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, 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 Participation Units as of the closing date of the Arrangement: (1) New Med will wholly own and control the Partnership (100%) as set out above; (2) The Company and the public investing in the Participation Units will hold, instead of the participation units that they had held (and which conferred on them the right to participate in the Company's rights in the Partnership), shares in NewMed, which will confer on them 99.99% of its share capital (hereinafter - 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 Participation 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 will be deemed the controlling shareholder of New Med; (3) the present general partner (which will continue to be held by the Company) will hold New Med shares that confer 0.01% of its share capital (in addition to New Med shares to be allotted under the Exchange of Units for the Participation Units that it currently holds); however, it will cease 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, 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 thereunder, insofar as the new rights are not acquired by the Partnership but rather by New Med or its other subsidiaries.

   Implementation of the proposed Arrangement and its closing are subject to standard conditions precedent 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 decision; 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), for details about the legal proceedings being conducted regarding the said arrangement, see Note 23A2 below.
   It is clarified that, as of the approval date of the financial statements, there is no certainty as to the Arrangement's approval date, its feasibility and whether all of the approvals required for its implementation will be obtained.

5. For information about the lien of the participation units, see Note 1C and Note 24.

6. For information about the oil and gas assets of NewMed Energy, see Note 12.

NOTE 10 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (cont.)

H. Delek Israel and Delek Israel Properties

1. In October 2020, the transaction was completed as part of the sale of Delek Petroleum to Lahav LR Real Estate Ltd. and BGM Ltd. (hereinafter jointly - the "Buyer") for the sale of 70% of Delek Israel's issued and paid up share capital for NIS 525 million (hereinafter - the "Consideration for the Sold Shares"), reflecting a value of NIS 750 million for Delek Israel. Furthermore, the agreement grants the buyer an option to buy up to an additional 5% of Delek Israel's issued and paid-up share capital and the share price for the Optional Shares is identical to the selling price subject to certain adjustments. The consideration for the Sold Shares was completed as follows: On the closing date of the transaction, the Buyer paid an amount of NIS 450 million in cash, against the transfer of 60% of Delek Israel's share capital to the Buyer. The Buyer transferred the remaining consideration of NIS 75 million (hereinafter - the **"Deferred Consideration**") in the first half of 2021 for 10% of Delek Israel's share capital. In addition, in the first half of 2021, the Buyer fully exercised the option for the acquisition of 5% of Delek Israel's share capital for a consideration of NIS 37 million. The agreement sets out an indemnity clause for certain grounds, mainly in respect of Delek Israel's financial statements for a limited period set out in the agreement, and in any case, the indemnity amount for the grounds set out in the agreement will not exceed a cumulative amount of NIS 35 million.

   Alongside the signing of the agreement, Delek Petroleum and the Buyer signed a shareholders' agreement. The shareholders' agreement stipulates, among other things, that Delek Israel's board of directors will have no more than 10 directors and every 10% holding of Delek Israel's share capital will confer on the shareholders the right to one director in Delek Israel and in its material subsidiaries. A dividend distribution policy was established and it was agreed that the parties will act to distribute a dividend for part of the consideration to be received by Delek Israel upon completion of the power plant transaction - see Section 2 below. The shareholders' agreement set out matters that require the consent of Delek Petroleum.

   As at the transaction closing date (October 2020), the Group no longer consolidates the financial statements of Delek Israel and in 2020, it recognized a profit of NIS 74 million due to disposal of the investment and measurement of the balance of the investment (40% as at the closing date) and the options of Delek Israel at fair value, while as at the approval date of the Group's financial statements for 2020, the fair value measurement and its attribution to the assets and liabilities of Delek Israel were not completed (and were temporary). 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 external appraiser. The valuation was performed using the discounted cash flow method of Delek Israel based on the following main assumptions: an increase of 5.5% in convenience stores' 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 segment; a discount rate of 8%. According to the valuation, the fair value of Delek Israel as at the time of selling 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 for 2020) and the value of the options for the acquirers is estimated at a liability of NIS 50 million (instead of an insignificant amount for 2020). In addition, profit from disposal of the investment in Delek Israel increased by NIS 57 million out of NIS 74 million reported in the financial statements for 2020, to NIS 131 million. The effect of the adjustment was included in these financial statements by way of retrospective reconciliation of the Group's results for 2020, under profit (loss) from discontinued operations, net.

NOTE 10 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (cont.)

H. Delek Israel and Delek Israel Properties (cont.)

1. (cont.)

In 2021, the Group recognized an additional profit of NIS 10 million due to the transfer of the Deferred Consideration and the exercise of the option by the Buyer and it is included under profit (loss) from discontinued operations, net.

Following the sale of the shares as set out above, the Group holds 25% of the capital of Delek Israel and the investment in Delek Israel is accounted for using the equity method. See also Section 4 below.

The operating results of Delek Israel for the period prior to the sale of control and the profit from the disposal were presented in the statement of income under profit or loss from discontinued operations, net.
Operating results of Delek Israel classified as profit (loss) from discontinued operations, net:

	For the year ended December 31		
	2021	2020 *)	2019
	NIS millions		
Revenue	-	2,193	4,912
Cost of revenues	-	1,774	4,181
Gross profit	-	419	731
Selling, marketing and gas station operating expenses	-	342	487
General and administrative expenses	-	61	68
Group share in profits of operating associates	-	2	3
Other expenses, net	-	(143)	(15)
Operating profit (loss)	-	(125)	164
Finance expenses (income), net	-	(11)	57
	-	(114)	107
Group share in profits (losses) of associates, net	-	-	(5)
Pre-tax income (loss)	-	(114)	102
Taxes on income	-	11	26
	-	(125)	76
Profit on disposal of an operation	10	131	-
Profit (loss) from discontinued operations	10	6	76

*) Up to the date of the sale of control in Delek Israel, as set out above.

NOTE 10 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (cont.)

H. Delek Israel and Delek Israel Properties (cont.)

1. (cont.)

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

	For the year ended December 31		
	2021	2020 *)	2019
	NIS millions		
Net cash from operating activities	-	283	402
Net cash from (used for) investing activities	-	563	(25)
Net cash from (used for) financing activities	-	(876)	(353)
	-	(30)	24

*) Up to the date of the sale of control in Delek Israel, as set out above.

2. In July 2020, Delek Israel signed a detailed agreement for the sale of 100% of the shares of IPP Ashkelon Ltd. and IPP Sorek Ltd. (which operate the Ashkelon and Sorek power plants) for a total consideration of NIS 367 million. The transaction was completed in February 2021.
In view of the Covid-19 Crisis and the increased risk in the economy and the concern of a decrease in production prices of the electricity sold by the power plants, and in view of the aforesaid agreement, Delek Israel assessed the fair value of the power plants based on an independent external valuation. The valuation results constituted an approximation of the price derived from the power plants as set out in the memorandum of understanding and the agreement. Consequently, during 2020, Delek Israel recognized a provision of NIS 191 million for impairment of the power plants (before the tax effect).

A. Operating results of the power plants classified as profit (loss) from discontinued operations, net:

	For the year ended December 31		
	2021	2020 *)	2019
	NIS millions		
Revenue	-	362	529
Cost of revenues	-	335	428
Gross profit	-	27	101
General and administrative expenses	-	3	4
Other revenues, net	-	-	55
Operating profit	-	24	152
Finance expenses, net	-	30	30
Pre-tax income (loss)	-	(6)	122
Impairment of an investment	-	(191)	-
Profit (loss) from discontinued operations	-	(197)	122

*) Up to the date of the sale of control in Delek Israel, as set out in Section 1 above.

NOTE 10 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (cont.)

H. Delek Israel and Delek Israel Properties (cont.)

2. (cont.)

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

	For the year ended December 31		
	2021	2020 *)	2019
	NIS millions		
Net cash from operating activities	-	37	40
Net cash from (used for) investing activities	-	6	4
Net cash from (used for) financing activities	-	(23)	(41)
	-	20	3

*) Up to the date of the sale of control in Delek Israel, as set out in Section 1 above.

3. In 2020, Delek Israel distributed a dividend to the Group in the amount of NIS 194 million. In 2021, Delek Israel distributed a dividend to the Group in the amount of NIS 38 million.

4. In 2021, all the shareholders of Delek Israel established a new company, Delek Israel Properties (DP) Ltd. (hereinafter - “Delek Israel Properties”). The shares of Delek Israel Properties are held by its shareholders at the same rate as their holdings in Delek Israel shares, meaning, the Group holds 25% of the shares of Delek Israel Properties. On April 1, 2021, the split was completed and Delek Israel transferred most of its real estate assets to Delek Israel Properties, as well as the holdings in investees holding real-estate properties. Delek Israel Properties was established with the aim of focusing on the development and establishment of real estate projects on real estate transferred to it from Delek Israel and on other real estate assets. The investment in Delek Israel Properties is accounted for in the financial statements according to the equity method.

NOTE 10 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (cont.)

I. Investment in the shares of EMED Pipeline BV (hereinafter - "EMED")

NewMed Energy holds 25% of the share capital of EMED Pipeline BV (hereinafter - "EMED"), which was established for the purpose of the acquisition of EMG shares and the acquisition of rights in the EMG pipeline (see Note 12L(1)(D) below). The balance of the investment of NewMed Energy in EMED as at December 31, 2021, amounts to USD 64 million (NIS 198 million) (in 2020, USD 67 million (NIS 215 million)).

J. IDE Holdings Ltd. (hereinafter - "IDE")

In March 2020, the Group sold the balance of its investment (20%) in IDE for NIS 169 million. The net profit (after the effect of tax) arising for the Company's shareholders due to the sale amounted to NIS 20 million, and was included in the Group's share in earnings of associates, net.

K. Cohen Development Gas and Oil Ltd. (hereinafter - "Cohen Development")

On April 19, 2020, an agreement was signed and a transaction completed for the sale of the Company's entire share capital in Cohen Development, amounting to 51.76% of the issued and paid-up share capital of Cohen Development (hereinafter - the "**Sold Shares**") for a cash consideration of NIS 207 million. In addition to the cash consideration, the Company received a dividend from Cohen Development in the amount of NIS 9 million, which was declared prior to completion of the transaction.

The Sold Shares were sold to three different buyers in unequal parts, each purchased separately. As a result of the transaction, in the second quarter of 2020, the Company recognized a loss attributable to equity holders of the Company in the amount of NIS 235 million (after tax effect) (including for recognition in the statement of income of the foreign operation translation reserve and for to the notional disposal of some of the gas and oil assets, as well as the realization of the royalties to which Cohen Development is entitled).

NOTE 10 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (cont.)

L. Information about non-controlling interests

December 31, 2021

Company	Rate of holding in share capital and voting rights of non-controlling interests	Current assets	Non-current assets		Current liabilities	Non-current liabilities		Total assets, net	Carrying amount of non-controlling interests
	%	NIS millions							
NewMed Energy	45.3	1,806	13,359		1,196	8,585		5,384	2,584

2021

Company	Revenue	Net profit	Other comprehen-sive loss	Total compre-hensive loss	Profit attributable to non-control-ling interests	Total comprehen sive loss attributable to non-control-ling interests	Cash flows used in operating activities	Cash flows used in investing activities	Cash flows from finance activities	Translation differences	Net decrease in cash and cash equivalents	Dividends paid to non-control-ling interests (including tax pre-payments)
	NIS millions											
NewMed Energy	3,188	334	(195)	139	240	104	1,465	3,172	(4,152)	(25)	460	(691)

NOTE 10 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (cont.)

L. Information about non-controlling interests (cont.)

December 31, 2020

Company	Rate of holding in share capital and voting rights of non-controlling interests	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Total assets, net	Carrying amount of non-controlling interests
	%	NIS millions					
NewMed Energy	45.3	5,196	14,503	4,085	9,448	6,166	3,164

2020

Company	Revenues	Net profit	Other comprehensive loss	Total comprehensive loss	Profit attributable to non-controlling interests	Total comprehensive loss attributable to non-controlling interests	Cash flows used in operating activities	Cash flows used in investing activities	Cash flows from finance activities	Translation differences	Net decrease in cash and cash equivalents	Dividends paid to non-controlling interests (including tax prepayments)
	NIS millions											
Energy in Israel (*)	2,659	323	(571)	(248)	64	(**229**)	1,037	(809)	(647)	(34)	(453)	(232)

(*) Refers to NewMed Energy and Cohen Development up to the disposal date of the investment in it.

NOTE 10 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (cont.)

L. Information about non-controlling interests (cont.)

2019

Company	Revenue	Net profit	Other comprehensive income (loss)	Total comprehensive income	Profit attributable to non-controlling interests	comprehensive income (loss) attributable to non-controlling interests	Cash flows from operating activities	Cash flows from investing activities	Cash flows from finance activities	Translation differences	Net increase (decrease) in cash and cash equivalents	Dividends paid to non-controlling interests
	NIS millions											
Energy in Israel (*)	1,305	648	(401)	247	315	(377)	1,161	(2,800)	1,649	(47)	(37)	319
The Phoenix (**)	14,878	275	327	602	235	123	2,377	(360)	294	-	2,311	304
Others					2	3						-
Total					552	(251)						623

(*) Refers to Cohen Development, and NewMed Energy (the effective non-controlling interest rate is 40%).

**) Including non-controlling interests in the financial statements of The Phoenix. The holding rate of the non-controlling rights is 55%; The figures are for the period from the beginning of the year until the date of sale of control as set out in Section E(6) above. The operating results of The Phoenix are presented in the statement of income under profit or loss from discontinued operations, net.

NOTE 11 - INVESTMENT PROPERTY

Movement

	2021	2020
	NIS millions	
Balance as at January 1	331	432
Acquisitions and additions	3	5
Disposals	-	(32)
Transfer from property, plant and equipment	-	1
Reclassification to assets held for sale	(224)	-
Deconsolidation	-	(78)
Revision of liability for decontamination	98	-
Fair value adjustment	119	3
Balance as at December 31	327	331

A. The Company has rights to a building which serves as a hotel and is leased to the Company operating Fattal Hotels Ltd. (hereinafter - Fattal). In 2019, the Company and Fattal signed an agreement according to which 28.3% of the ownership rights of the Company in the property were sold to Fattal for NIS 103 million, and 1/3 of the rental fees paid by it under the lease agreement was transferred to Fattal. As a result of the transaction, in 2019, the Company recognized a profit of NIS 23 million, which was included under other income, net.

As at September 30, 2021, the Group companies estimated the fair value of the building through an independent external real estate appraiser. The appraisal of the building was carried out according to the average between the comparison approach in relation to transaction prices of similar properties in the area and a calculation based on future rental income at a discount rate ranging between 7% and 9%, plus the value of additional potential rights, which are under preparation but approved for submission to the District Committee. According to the appraisal, the value of the building (the Company's share that constitutes investment property), including the value of the additional potential rights, amounts to approximately NIS 252 million. In light of the aforesaid, the Company recognized in the reporting period, an appreciation of the building in the amount of approximately NIS 57 million, which was included in the income statement under the other income (expenses), net line item.

B. In March 2020, an agreement was signed between the Company and Gadot Biochemical Industries Ltd. (hereinafter - "Gadot", a former subsidiary of the Group) whereby Gadot acquired all of the Company's ownership rights to land in Haifa Bay, on which the Gadot plant is located and which was leased to Gadot for 20 years. The consideration of the sale amounts to NIS 33 million, which was approximate to the carrying amount of the land.

NOTE 11 - INVESTMENT PROPERTY (cont.)

C. The Group has rights to real estate in Acre. In March 2021, the Group signed a detailed agreement for the sale of investment property in Acre for NIS 200 million as is, of which NIS 10 million was paid to the Group when signing the memorandum of understanding. In October 2021, the sale agreement was revised such that the sold assets shall constitute only 75% of the non-specific portions of the jointly-owned land, such that subsequent to completion of the transaction, the Buyer shall hold 75% of the rights in the land and the Group shall hold 25% of the rights in the land, and the parties will be partners in the real estate in accordance with the aforesaid joint ownership ratio. In view of the revision made to the sold assets, the sale consideration was revised accordingly, such that the consideration will total NIS 150 million. In addition, the amended sale agreement stipulates that the acquirer will bear, according to its share in the joint venture (75%) of the land decontamination costs. The agreement also stipulates terminating conditions. The terminating conditions period will end April 12, 2022; it has also been determined that the acquirer will be entitled to waive the fulfillment of the terminating condition, at its sole discretion, until the end of the terminating condition period, all under the terms and conditions set forth in the addendum.

The full consideration was received by the Group, excluding NIS 13 million in deposits that are held in trust, as per the agreement, in order to secure the payment of taxes and fees, and is presented in the balance sheet as a down payment for the sale of land under payables.

As part of the Addendum, the parties set a future mechanism for adjusting (reducing) the consideration in accordance with criteria that were set, such that in any event the maximum reduction amount, if any, subject to fulfillment of the conditions set out in the Addendum, shall be NIS 15 million.

In addition, in light of the revised commitment to decontaminate the land, the Group recognized a profit of approximately NIS 49 million during the reporting period (post-tax).

As of December 31, 2021, the value of the rights to the property designated for sale under the agreement is NIS 224 million, and the decontamination liability associated with the said property of NIS 74 million, are presented in the balance sheet under held-for-sale assets and liabilities attributed to held-for-sale assets, respectively. The balance of the property (25%) is presented under the investment property line item, at NIS 75 million, and the balance of the decontamination liability (25%), totaling NIS 25 million, is presented under long-term liabilities.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION

The Group operates mainly through NewMed Energy in exploration, development, and production of natural gas, condensate, and oil in Israel and Cyprus, and in the promotion of various natural gas-based projects, with the aim of increasing sales of natural gas produced by the Partnership. The Group also operates through Ithaca in oil and gas exploration and production in the North Sea.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

A. Composition

Cost	Exploration and evaluation assets	Oil and gas production assets	Total
		NIS millions	
Balance as at January 1, 2020	1,207	31,325	32,532
Change during the year:			
Investments	27	1,234	1,261
Deconsolidation	(71)	(560)	(631)
Reclassification to assets held for sale **)	-	(5,656)	(5,656)
Adjustments from translation of financial statements of foreign operations	(79)	(2,167)	(2,246)
Balance as at December 31, 2020	1,084	24,176	25,260
Change during the year:			
Investments	19	1,348	1,367
Adjustments from translation of financial statements of foreign operations	(36)	(825)	(861)
Balance as at December 31, 2021	1,067	24,699	25,766
Accumulated depreciation, depletion and amortization			
Balance as at January 1, 2020	288	4,557	4,845
Additions	-	1,621	1,621
Deconsolidation	-	(32)	(32)
Provision for impairment *)	-	1,850	1,850
Reclassification to assets held for sale **)	-	(1,998)	(1,998)
Adjustments from translation of financial statements of foreign operations	(20)	(660)	(680)
Balance as at December 31, 2020	268	5,338	5,606
Additions	-	1,586	1,586
Deconsolidation			
Reversal of provision for impairment *)	-	(893)	(893)
Adjustments from translation of financial statements of foreign operations	(9)	(184)	(193)
Balance as at December 31, 2021	259	5,847	6,106
Amortized cost as at December 31, 2021	808	18,852	19,660
Amortized cost as at December 31, 2020	816	18,838	19,654

(*) See Sections R and S below.

(**) For information about the sale of oil and gas production assets of the Tamar Project, see Section C below.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

A. Composition (cont.)

Composition according to joint ventures/reservoirs (1):

	December 31	
	2021	2020
	NIS millions	
Oil and gas assets in Israel and its surroundings		
Ratio Yam joint venture (Leviathan)	10,192	10,758
Exploration and appraisal assets in Israel and its surroundings		
Block 12, Cyprus	778	795
Other assets	30	21
	808	816
Oil and gas assets in the North Sea		
Assets in the Greater Stella area ("GSA")	1,984	1,359
Captain area	4,118	4,377
Other assets	2,558	2,344
	8,660	8,080
Total	19,660	19,654

(1) Including attribution of surplus cost.

B. Rights in oil and gas exploration licenses

1) The rights of the Company and the Partnership in oil and gas exploration licenses in Israel and its surroundings

Project	Name of lease/license	Lease/ concession	Rights valid until	Participation rate of the Company	Participation rate of NewMed Energy Partnership
Israel					
Yam Tethys project	Ashkelon	Lease	10.6.2032	4.441%	48.50%
Yam Tethys project	Noa	Lease	31.1.2030	4.441%	48.50%
Ratio Yam	I/14 Leviathan South and I/15 Leviathan North	Leases	13.2.2044	-	45.34%
Ofek Hadash	Ofek Hadash / 405	license	20.6.2022	-	25%
Yahel Hadash	Yahel Hadash / 406	license	20.6.2022	-	25%
Cyprus					
Block 12	Block 12	Concession	7.11.2044	-	30.00%

(1) The validity of the oil rights is extended from time to time and is contingent on fulfilling the commitments on dates set out in terms of the oil assets. Non-compliance with the commitments could lead to cancellation of the oil rights.

The leases were issued under the Petroleum Law, and they grant the partners in the leases special rights to produce oil and natural gas from the respective lease area for 30 years, with the right for a 20-year extension, in accordance with and subject to the provisions of the Petroleum Law.

(2) For information about the benefit for the right to royalties from the sale of all the rights in the Karish and Tanin leases, see Section F below.

(3) The operator of the joint venture in Israel is Chevron (hereinafter - the "Operator" or "Chevron").

(4) For information about the Ofek Hadash and Yahel Hadash licenses, see Section H below.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

B. (cont.)

2) Ithaca's rights in the main oil and gas exploration licenses in the North Sea

Name of field	Operator	Ithaca's rights as at December 31, 2021
Greater Stella Area (GSA) in the North Sea		
Stella/Harrier	Ithaca	100%
Vorlich	Ithaca	34%
Abigail	Ithaca	100%
Austen	Ithaca	100%
Kessog	Ithaca	100%
Courageous	Ithaca	55%
Captain field	Ithaca	85%
Other fields in the North Sea		
Cook	Ithaca	61.35%
Pierce	Shell	7.48%
Fionn	Ithaca	100%
Broom	EnQuest	8%
Ythan	EnQuest	40%
Don SW	EnQuest	40%
West Don	EnQuest	21.4%
Blue Sky	Ithaca	100%
Alba	Ithaca	36.7%
Alder	Ithaca	73.68%
Erskine	Ithaca	50%
Britannia	Chrysaor	32.38%
Brodgar	Chrysaor	6.25%
Callanish	Chrysaor	17%
Elgin/Franklin	Total	3.9%
Enochdhu	Chrysaor	50%
Jade	Chrysaor	19.93%
Isabella	Total	10%
Marigold	Ithaca	100%

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

C. Michal and Matan joint venture (Tamar and Dalit leases)

In accordance with the provisions of the Gas Framework, which, inter alia, requires the Group to sell its entire holdings in the Tamar and Dalit leases, on September 2, 2021, the Partnership signed an agreement for the sale of the balance of the Partnership's rights at a rate of 22% in the Tamar Project to Tamar Investment 1 RSC Limited and Tamar Investment 2 RSC Limited (hereinafter in this section - the "Buyers"" and the "Agreement", as the case may be). On December 9, 2021, the transaction was completed and the Partnership received USD 955 million in consideration for the Sold Asset, (as at the approval date of the financial statements, the final settlement for the consideration for the Sold Asset was transferred by the Buyer in a further amount of USD 10.5 million, such that the total consideration received for the Sold Asset amounts to USD 965 million) (for information about repayment of the Tamar Bond debentures and Debentures (Series B1), which were repaid with the consideration for the Sold Asset, see Section J3 below).

Set forth below is a summary of the key provisions of the Agreement:

1. The sold asset, as set out in the agreement, includes the Partnership's rights (22%) in each of the leases Tamar and Dalit, together with the Partnership interest in Tamar 10 Inch Pipeline Ltd. (the holder of the transmission license pursuant to Section 10 to the Natural Gas Market Law, 2002), and the Partnership's rights and obligations as per the joint operation agreement applicable to the leases, the agreement for the use of the Yam Tethys facilities (with respect of the Partnership's share as a holder of rights in the Tamar lease), in the agreements for the sale of natural gas and condensate from the Tamar lease, in the agreements for export of natural gas (including the agreements related to the export agreements and the export permits to Jordan and Egypt) and in other related agreements between the owners of rights in the leases.

2. The Partnership's rights in the leases will be transferred to the Acquirers subject to the existing royalty interests in the leases that were borne by the Partnership, and accordingly, the payment obligation to the royalty holders will apply to the Acquirers.

3. As from August 1, 2021 (hereinafter - the "Effective Date"), the Buyers shall assume, each in accordance with its share, all of the expenses, payments, guarantees, collateral and obligations applicable in respect of the Sold Assets and under the provisions of any law, with the exception of certain obligations in respect of which it is set out in the Agreement that the Partnership will retain liability after the completion of the transaction as described below.

4. The Partnership shall bear all costs, payments, guarantees, collateral and obligations applicable in respect of the Sold Assets and in accordance with the provisions of any law until the Effective Date, including taxes in respect of the Sold Assets and the levy under the Taxation of Profits from Natural Resources Law, 2011 (hereinafter - the "Petroleum Profits Levy") for quantities of hydrocarbons sold until the Effective Date.
Furthermore, the Partnership shall remain liable to the liabilities listed below even after the completion of the transaction: (a) liabilities in connection with the Sold Assets in respect of the period prior to the Effective Date (except for malfunctions and wear and tear of Tamar Project facilities and equipment that were in place prior to the Effective Date but were not known to the Partnership); (b) liabilities in respect of hydrocarbons produced from the leases prior to the Effective Date; (c) liabilities in connection with the motion for class action certification filed by a consumer of the Israel Electric Corporation Ltd. (hereinafter - the "Israel Electric Corporation" or "IEC") against the owners of rights in the Tamar lease, including any appeal and any other proceeding in connection therewith; (d) payment demands as per the joint operating agreement in the leases, where such demands were sent by the Tamar Project operator prior to the Effective Date; and (e) liabilities in connection with environmental hazards in the area of the leases, to the extent that such hazards existed prior to the Effective Date or were known to the Partnership prior to the transaction completion date.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

C. Michal and Matan joint venture (Tamar and Dalit leases) (cont.)

5. As part of the Agreement, the Partnership made various representations to the Acquirers, as is generally accepted in transactions of this type, including with respect to the Partnership's title to the Sold Assets and material information regarding the Sold Assets including, among other things, compliance with the terms of the leases, validity and non-breach of material agreements, legal proceedings relevant to the Sold Assets, compliance with the applicable law provisions, applicable taxes and certain financial information of the project.

6. The Agreement includes provisions under which the Partnership has undertaken to indemnify the Acquirers for any damage or liability that may be caused to them in connection with demands, claims or any other legal proceeding as a result of a breach of a representation in the agreement provided that the Partnership will not be liable for damages until the total amount of the said damage exceeds USD 2.5 million, and that the total indemnity amount for which the Partnership will be liable does not exceed 35% of the consideration paid for the Sold Assets, except in relation to certain representations that were defined as "fundamental representations" (for which the total indemnity amount will not exceed 100% of the consideration) or in case of fraud (in respect of which no liability limit has been set). The Partnership will not be liable to the Acquirers for breach of representations unless a demand for indemnity has been delivered by the end of 18 months from closing (or 36 months in relation to the fundamental representations as described above and until the end of the relevant statutory limitation period in relation to the representations relating to tax liabilities).

7. The Partnership has undertaken to indemnify the Acquirers in respect of extraordinary events, including over-charging the Acquirers with the Petroleum Profits Levy, in connection with certain disputes between the Partnership and the Israel Tax Authority regarding the method of calculation of the levy in relation to income and expenses during the period prior to the Effective Date, subject to the mechanism set out in the Agreement and up to a maximum indemnity amount of USD 15 million.

(1) 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 12N below), and due to the tight schedules required for disposal of the investment, as from the financial statements as at December 31, 2020, all the assets and liabilities attributable to the Tamar Project were presented under the assets held for sale and liabilities attributable to assets held for sale line items. Below are the assets and liabilities attributable to the Group's holdings in the Tamar Project:

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

*) As at December 31, 2020, the balance of the Tamar Bond debentures was presented under liabilities attributable to assets held for sale, in accordance with the planned outline for the sale of rights in the Tamar Reservoir at that date.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

C. Michal and Matan joint venture (Tamar and Dalit leases) (cont.)

(2) As at December 31, 2020, the Group assessed the value of its indirect holdings in the Tamar and Dalit leases. The fair value assessment of the Group's holdings was performed by an outside independent appraiser that estimated the fair value through the discounted cash flow based on the projected cash flow from P2 reserves (proved reserves + probable reserves) from the Tamar Reservoir as at December 31, 2020. Below are the main assumptions:

1. Natural gas sales of 8.6, 9.2, 9.1, 9.5, and 10.4 BCM in 2021 to 2025, respectively. Gradual increase to 11.65 BCM in 2030, stabilizing at this quantity until 2041. As from 2042, there will be a gradual decrease in production volumes until the reservoir reserves are depleted.

2. Average Brent barrel price forecast of USD 52, 57, 61, 65, and 68 in 2021 to 2025, respectively. Gradual increase to a price of USD 86.0 in 2030, stabilizing at this price until the end of the forecast period.

3. Adjustment of depreciation expenses for tax purposes to be used by a potential buyer.

4. Use of a weighted average cost of capital (WACC) (after tax) of 9.3%; and,

5. The valuator discounted 20% on the assessment results, which the valuator believes reflects the difference between the present value of the net cash flow and the net consideration (less disposal costs) expected for the Group from the sale of the asset under the current market conditions.

In view of the results of the assessment, the fair value of oil and gas assets in the Tamar Project (22%) was estimated as at December 31, 2020 at USD 1,104 million (NIS 3,549 million), and was lower than the carrying amount of the assets as at December 31, 2020, which amounted to USD 1,315 million (NIS 4,227 million - investments in oil and gas assets less liabilities for disposal and other long-term assets related to the project and allocation of goodwill attributed to oil and gas exploration and production in Israel and its surroundings). Accordingly, there was an impairment of USD 211 million (NIS 680 million) net of any tax effect. The Company's share in the impairment amounted to NIS 94 million net of any tax effect (the share of the holders of non-controlling interests in the impairment after the effect of tax amounted to NIS 446 million).

In 2021, following completion of the transaction for the sale of the Tamar and Dalit leases as set out in Section (1) above, the Group recognized a loss attributable to the Company's shareholders (after the effect of tax) in the amount of NIS 210 million.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

C. Michal and Matan joint venture (Tamar and Dalit leases) (cont.)

3) Additional information about the Michal and Matan joint venture: (cont.)

(A) On September 13, 2020, Delek Energy entered into an agreement with a third party (hereinafter - the "Buyer") for the sale of the entire holdings of Delek Energy in Tomer Energy Royalties (2012) (formerly Delek Royalties (2012) Ltd.) in an off-floor transaction and in a special tender offer. The total consideration received for the sale of the shares amounted to NIS 45.6 million.

(B) 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. In May 2021, the Partnership paid the balance of capital gain tax in the amount of USD 15 million, which had been deferred from the date of the sale of the Partnership's rights (9.25%) in the Tamar Project to Tamar Petroleum, until the date of the sale of the shares.

(C) On December 26, 2019, after fulfilment of the preconditions, the transaction was completed and the Company sold to a number of institutional entities (hereinafter - the "Buyers") all of its direct rights to receive overriding royalties from the share of NewMed Energy (22%) and Tamar Petroleum (9.25%) on oil and/or gas and/or other valuable materials to be produced and utilized in the I/12 Tamar and I/13 Dalit leases. Under the agreement for the sale, the right to overriding royalties was transferred to the Buyers retrospectively, as from April 1, 2019 (hereinafter - the "Record Date") as is, and subject to the same conditions under which the Company held the right to the overriding royalties. The consideration in the agreement was set at USD 52.5 million less the receipts for the overriding royalties from the time of the Record Date to the completion date, such that the total cash consideration received is USD 46.2 million.
Under the agreement for the sale, on February 1, 2023, the parties will account and adjust the consideration, which may increase by up to USD 2 million or decrease by up to USD 1.5 million.
In addition, if it is determined that the investment recovery date is after the Record Date, the Company will indemnify the Buyers in an amount equal to the wellhead market value of the difference between the actual royalty rate prior to the investment recovery date, in a way that the Buyers will receive royalties according to the rate of royalties after the investment recovery date.
In 2019, the Group recognized a profit of NIS 20 million from the sale of the Rights to Royalties from the Tamar Project under other income in the statement of income.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

D. Ratio Yam joint venture

The Ratio Yam joint venture is a joint venture for exploration, development and production of oil and gas in the areas of the I/15 Leviathan North and I/14 Leviathan South leases (hereinafter - the “Leases”). Chevron is the operator of the joint venture.

See Section I below for information about the assessment of the reserves and contingent resources.

1) Plan for development of the Leviathan Reservoir

(A) The Ratio Yam joint venture is a project for exploration, development, and production of oil and gas in the areas of the I/15 Leviathan North and I/14 Leviathan South leases (hereinafter - the "Leases" and/or the "Leviathan Leases”).

(B) The development plan of the Leviathan Reservoir:

On June 2, 2016, the Petroleum Commissioner (hereinafter - the “Commissioner”) approved the development plan as submitted by Chevron. On February 23, 2017, the Leviathan partners made a final investment decision (FID) for the development of Phase 1 – First Stage in the development plan for the Leviathan Reservoir, with an annual capacity of 12 BCM; the total cost invested in developing Phase 1 - Phase 1A, First Stage totaled - as of the financial statements date - USD 3.7 billion (100%, the Partnership’s share - USD 1.7 billion). Subsequent to the preliminary running-in period, in December 31, 2019, natural gas started to flow from the Leviathan Reservoir; on January 1, 2020, the sale of natural gas to Jordan began under the agreement with the National Electric Power Company (hereinafter - "NEPCO") and on January 15, 2020, natural gas started to flow from the reservoir to Egypt under the agreement with Blue Ocean Energy (hereinafter - “Blue Ocean”); for information about gas sales to Jordan and Egypt, see Note 12L1 below.

The plan for the development of the Leviathan Reservoir includes supply of natural gas to the local market and for export in a total annual quantity of 21 BCM of natural gas and supply of condensate to the local market (hereinafter in this section -the “Development Plan" or the “Plan"), the main points of which are as follows:

1. The production system includes the first eight wells to be connected by a subsea pipeline to a fixed offshore platform (hereinafter in this section - the “Platform"), in the territorial waters of Israel, in accordance with the provisions of National Outline Plan 37/H, on which the gas and condensate treatment systems will be installed. Gas flows from the Platform to the northern entrance of the national pipeline of Israel National Gas Lines, as defined in National Outline Plan 37/H (hereinafter - the “Connection Point to INGL”). The condensate will flow to the shore in a separate pipe adjacent to the gas pipeline and will be connected to the oil pipeline of Europe Asia Pipeline Co. (hereinafter - “EAPC”) leading to the tank farm of Petroleum & Energy Infrastructures Ltd. (hereinafter - "PEI”) and from there to Bazan Ltd. (hereinafter - “Bazan”).

2. The production system is designed to supply an annual quantity of 21 BCM after completion of Phase 1 – First Stage and Phase 1 – Second Stage of the development plan, as set out below.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

D. Ratio Yam joint venture (cont.)

1) Plan for development of the Leviathan Reservoir (cont.)

(B) The development plan of the Leviathan Reservoir: (cont.)

3. The Development Plan is implemented in two stages, depending on the maturity of the relevant markets, as follows:

   Phase 1 – First Stage – the current stage, in which four subsea producing wells were drilled, and a subsea production system connecting the producing wells to the Platform, a system for transmission to the shore, and related onshore facilities were constructed. At this stage, annual gas production capacity is 12 BCM.

   Phase 1 – Second Stage is expected to include, initially, another four producing wells, related subsea systems, and expansion of the Platform's processing facilities to increase the total gas production capacity of the system by an additional 9 BCM per year (to a total of 21 BCM per year). It is noted that, as at the approval date of the financial statements, the Leviathan partners have not yet adopted an FID for the development of Phase 1 - Second Stage.

4. It should be noted that during the life of the project, additional producing wells will be required to allow production in the required volume. For information about the development and production drilling of Leviathan 8, see Section 6 below).

5. As at the approval date of the financial statements, and in accordance with the development plans, the daily gas supply capacity from the Leviathan Project to the INGL transmission system is 1.2 BCF at maximum production.

6. In light of production volumes from the Leviathan Reservoir and demand in the first half of 2021, and in order to improve redundancy in the production system, the operator recommended that the partners advance the drilling of another development and production well; this well was originally planned to be drilled in subsequent years, but the operator recommended it be drilled in 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/14 Leviathan South lease (hereinafter - the "Drilling"), 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). As at the Financial Statements date, a total of USD 19.1 million was invested in the drilling (100%, the Partnership's share is USD 8.7 million). The well will be integrated as part of the system of production drillings 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 operator announced that the completion and connection of the Drilling to the production system shall probably take place at the beginning of 2023. The drilling is expected to begin during the second quarter of 2022, 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 (hereinafter - the "Ministry").

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

D. Ratio Yam joint venture (cont.)

1) Plan for development of the Leviathan Reservoir (cont.)

C. Assessment of alternatives for increasing production from the Leviathan Reservoir:

As at the approval date of the financial statements, the Leviathan partners are assessing various alternatives for the development of Phase 1 – Second Stage of the Leviathan Reservoir and increasing the annual rate of production to 21 BCM, with the aim for making a final investment decision (FID). The development options may include development and expansion of infrastructure. The flow of natural gas from the Leviathan Reservoir to other consumers in the target markets, primarily to the Egyptian market, supply to the liquefaction facilities in Egypt, and advancing the option of liquefaction of natural gas through a floating liquefied natural gas (FLNG) facility for marketing to global markets.
As at the approval date of the financial statements, the Leviathan Partners are still advancing the construction of the floating liquefied natural gas (FLNG) facility for the Leviathan Project, including receipt of the required regulatory approvals. In this context, the Leviathan partners signed an interim agreement with Exmar NV (Exmar is a public company traded on the Euronext in Belgium, specializing in the entire value chain of LNG, including gas liquefaction, transportation, and gasification as well as transportation of liquefied petroleum gas (LPG)) for the purpose of a FEED.

D. Deep targets:

In 2019, an analysis was performed of reprocessing of seismic surveys, among other things, in connection with exploration drilling to the deep targets in the Leviathan leases (hereinafter - “Data Reprocessing”), as a result of which a new isolated carbonate buildup deep target was defined in the area of the Leviathan leases. In addition, the Data Reprocessing analysis revealed that the two deep targets previously defined in the area of the lease should be reclassified and redefined as a single submarine clastic channel (hereinafter collectively - the “New Targets”).
In January 2020, NSAI submitted a report on the estimated prospective resources in the Leases, updated as at December 31, 2019. According to the report, the best estimate in the carbonate buildup for gas and oil is 4.5 BCM and -155.3 million barrels, respectively. According to the report, the best estimate in the carbonate buildup for gas and oil is 6.5 BCM and 223.9 million barrels, respectively. As at December 31, 2021, there were no changes in the information presented in the report; for information about uncertainty of the estimated reserves, see Section I below.
As of the approval date of the financial statements, the Partnership seeks to examine the possibility of characterizing, drilling and exploring the deep exploration targets identified in the lease area (especially of the carbonate buildup type).

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

E. Block 12, Cyprus

A) The Partnership has a production sharing contract whereby the Partnership holds 30% of the rights in Aphrodite Reservoir in Block 12 in the exclusive economic zone of Cyprus.

B) In June 2015, the Partnership and its partners in the Aphrodite Reservoir submitted a declaration of commerciality and a draft proposal for development of the Aphrodite Reservoir to the government of Cyprus.

C) On November 7, 2019, the holders of rights in the production sharing contract (hereinafter - the “Partners” and the “PSC”, respectively) and the Cyprus government signed an amendment to the PSC (hereinafter - the “Amendment to the PSC”), which modified, among other things, the mechanism for distribution of the natural gas output from the reservoir between the Partners and the Republic of Cyprus; concurrently, the Partners were granted a production and exploitation license (hereinafter - the “Production License”), and a development and production plan for the reservoir was approved (hereinafter - the “Development Plan”).
In the PSC the Partners undertook, among other things, to meet the main milestones for the development of the Reservoir, as follows:

1. Drilling of an appraisal/development well in the area of the license in accordance with the development plan and completion within 24 months from the date the production license is received, meaning, up to November 2021. On October 13, 2021, the Cyprus government approved the extension of the partners' undertaking to carry out the drilling for an additional 12 months, meaning, until November 2022.
2. Completion of a detailed front end engineering design (hereinafter - the “FEED"), delivery of the outputs in accordance with the Development Plan and adoption of a final investment decision (“FID”) for development of the Reservoir, within 48 months after receiving the Production License (until November 2023).
3. The PSC sets out circumstances in which the Partners will be entitled to an extension for the purpose of meeting the milestones, with the deadline for adoption of a FID being 6 years after receiving the Production License. It should be noted that failure to comply with the milestones set out in the PSC will constitute grounds for cancellation of the PSC, other than for reasons of force majeure (as defined in the PSC).

D) It should be further noted that in the Amendment, other changes and updates were made to the PSC, including, with respect to the transfer of rights by the parties, approval of an annual budget and work plan, the manner of approving changes to plans and budgets, the manner of calculating the various expenses, changes in the grounds for termination of the PSC, arrangements for ensuring the plugging, dismantling, and removal of wells and facilities at the end of the term of the PSC, etc.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

E. Block 12 in Cyprus (cont.)

E. On the date the amendment to the PSC was signed, the Cyprus government approved the Development Plan and granted a Production License for 25 years with an option for an extension by up to 10 more years. The Development Plan is subject to updates in view of the results of the FEED, And the progress in the commercial and financial aspects of the project. The plan includes the construction of a floating treatment and production facility in the license area, with an estimated maximum production capacity of 800 MMcf/d, through five producing wells in the initial stage, and a subsea transmission system to the Egyptian market. According to the updated appraisal of the Operator, which was submitted to the Partnership and to the Cyprus government, and before completion of the technical-economic feasibility tests, including the FEED, the estimated cost of the Development Plan, without the installation cost of the pipelines to the target markets, is USD 2.5-3 billion (100%, the Partnership's share is USD 750-900 million). The estimated budget for the work plan until the date of the FID is USD 150-200 million (100%, the share of the Partnership is USD 45-60 million). Formulation of the development plan and the FID for development of the Aphrodite Reservoir are subject, among other things, to an appraisal drilling/further development - A-3 (Aphrodite 3) (hereinafter - the "A-3 appraisal drilling") until November 2021 - and to a FEED, commercial arrangements to develop the pipelines for export, signing of agreements for supply of natural gas, and compliance with the preconditions in the agreements, regulatory approvals, and financial arrangements. It should be noted that the above estimated costs do not include costs for the development and installation of a pipeline for the export of natural gas from the Aphrodite Reservoir.

F. Further to the above, the partners in the Aphrodite Reservoir applied to the government of Cyprus to approve changes to the work plan set out under the development plan of November 7, 2019, which refers mainly to postponement of their undertaking to drill the A-3 appraisal well by 12 months, until November 2022. On October 13, 2021, the government of Cyprus approved the postponement of the partners' undertaking to carry out the drilling by another 12 months, meaning, until November 2022.
It should be noted that the partners in the Aphrodite Reservoir are considering additional development alternatives, including the option of combining development of the reservoir with existing facilities and/or development plans for adjacent assets, in Egypt, Cyprus and/or Israel, including those of the Leviathan Reservoir.

G. In addition, the partners in the Aphrodite Reservoir submitted a work plan and a budget for 2022 in the amount of USD 32 million (100%) to the government of Cyprus, which the government of Cyprus has not yet approved. It should be noted that this budget does not include the cost of the A-3 appraisal drilling. As at the approval date of the report, it is uncertain whether the government of Cyprus will approve the work plan and budget.

H. In 2013, the Company provided a performance guarantee in favor of the Republic of Cyprus. In consideration for the guarantee, the Partnership pays Delek Group an annual guarantee fee of USD 368 thousand for up to 25 years from the date the guarantee was provided.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

E. Block 12 in Cyprus (cont.)

I) Most of the Aphrodite Reservoir is in the exclusive economic zone of Cyprus, with a very small part in the area of the 370/Yishai license (hereinafter - "Yishai License"), which is in the exclusive economic zone of Israel. It should also be noted that the Partners in the Aphrodite Reservoir received inquiries from the partners in the Yishai license and from the Ministry of Energy regarding the requirement to regulate the parties' rights before making a decision on the development of the Aphrodite Reservoir. The position of the partners in the Aphrodite Reservoir is that the matter is within the governments' authority and they will act in accordance with the mechanism for regulation of the parties' rights as to be determined by the governments and in accordance with international law. In addition, further to discussions between the governments of Israel and Cyprus to regulate the parties' rights in the Aphrodite Reservoir, on March 9, 2021, the governments signed a memorandum of understanding instructing the partners in the Aphrodite Reservoir and the holders of the rights in the Yishai license to conduct direct negotiations to regulate the issue of the migration of the Aphrodite Reservoir, which includes principles and timetables for the negotiations. On February 6, 2022, Israel's Minister of Energy notified the partners in the Aphrodite Reservoir and to the companies holding the Yishai License that if a profit-sharing agreement is not signed by March 4, 2022, negotiations on this matter will be handed over to the governments of Israel and Cyprus. As at the approval date of the financial statements, the date for signing the agreement has passed without the parties reaching agreements.

F. Rights in the I/17 Karish and I/16 Tanin leases

1. As set out in Section N1 below, in accordance with the Gas Framework, the Partnership and Noble were required to sell the entire rights in the leases in the area of the Tanin and Karish reservoirs, no later than the effective date, all in accordance with the terms of the Gas Framework and the terms of the leases. On August 16, 2016, the Partnership (hereinafter - the "Seller") signed an agreement with Ocean Energean Oil and Gas Ltd. (hereinafter - the "Buyer" or "Energean"), for the sale of all of the rights of the Partnership and Noble in the leases, in accordance with the terms set out in the agreement. On the closing date of the transaction, the Buyer paid the Partnership an amount of USD 40 million. The balance of the consideration, amounting to USD 108.5 million, is paid to the Partnership in ten equal annual payments (hereinafter - the "Annual Payments" or the "Loan"), plus interest in the mechanism and at the rate set out in the agreement, as from March 2018. In addition, the consideration for the sale of the leases included the right to royalties from the natural gas and condensate to be produced from the leases, at a rate of 7.5% - before payment of the oil profits tax under the Taxation of Profits from Natural Resources Law, 2011 (hereinafter - the "Levy") for the leases, and at a rate of 8.25% - from the date payment of the Levy begins, less the liability for overriding royalties that were transferred to the Buyer under the agreement, according to the Seller's undertaking for its share and in accordance with the duty to pay the royalty holders.

   To the best of the Partnership's knowledge, the updated data regarding the resources attributed to the Karish, Tanin, and Karish North reservoirs (hereinafter in this section - the "Reservoirs"), were last reported by Energean on March 17, 2022. According to this report, as at December 31, 2021, the Reservoirs contain natural gas reserves (2P) of 100.2 BCM and hydrocarbon liquids of 101.3 million barrels. In addition, Energean announced that the annual production and processing capacity of its facilities will reach 7.8 BCM. In addition, on January 18, 2022, Energean reported that as at December 31, 2021, 92.5% of the development works of the Karish Reservoir has been completed. Production of natural gas from the Karish Reservoir is expected to start in the second half of 2022.

   It should be noted that due to the delays in the start of flow from the reservoirs and the uncertainty regarding the start of commercial production from this reservoir, in peak months, there may be surplus demand when demand for natural gas in the local and export markets exceeds production from the Leviathan and Tamar reservoirs. In this case, the Leviathan partners may be required to supply the demand to the local market instead of quantities earmarked for export. For information about the amended agreement for export to Egypt, see Note 12L1d.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

H. Rights in the I/17 Karish and I/16 Tanin leases (cont.)

1. (cont.)

The Partnership engaged an independent outside appraiser to estimate the fair value of the remaining annual royalties and payments. Below are the main parameters of the appraisals used to measure the annual royalties and payments: the discount rate for the annual payments is estimated at 6.5% (in 2020, 7.25%); the discount rate (pre-tax) for the royalty component is estimated at 13.5% (in 2020, 12%); dates of gas production from the Karish lease: starting from the third quarter of 2022 until 2042; projected average annual production rate from the Karish lease: 3.59 BCM of natural gas; average annual production rate of condensate from the Karish lease: 4.74 million barrels of condensate; dates of gas production from the Tanin lease: starting from 2028 until 2037; projected average annual production rate from the Tanin lease: 2.65 BCM of natural gas; average annual production rate of condensate from the Tanin lease: 0.42 million barrels of condensate; total estimated contingent resources of natural gas and hydrocarbon liquids used in the appraisal for measurement of the royalties: 100.2 BCM and 101.3 MMBBL, respectively.

In the reporting period, finance income includes a total amount of USD 26.4 million (in 2020, USD 82.7 million; in 2019, USD 57.3 million), due to revaluation of the royalties from the leases and revaluation of the annual payments. The update is mainly due to an increase in Energean's estimates regarding the contingent resources in the leases, a change in the discount rates, a change in the estimated production rate, the price of the condensate, and for the passage of time (please see also Note 19A below).

It should be noted that in April 2020, Energean and the Partnership exchanged letters about Energean’s allegations regarding the Partnership’s rights to royalties from the Karish and Tanin leases. According to Energean, its undertaking to pay royalties does not apply to hydrocarbons from the Karish North Reservoir (contrary to the Karish Reservoir), and, in addition, not all the liquid hydrocarbons that will be produced from the Leviathan lease meet the definition of condensate in the agreement. The Partnership's position, based on the opinion of its legal advisors, is that under the agreement, the royalty documents, and the registration in the Petroleum Register, Energean's obligation to pay royalties applies to the natural gas and condensate to be produced from the leases, including from the Karish North Reservoir, and that all the liquid hydrocarbons that will be produced from the Reservoirs in the lease areas constitute condensate as defined in the agreement.

The agreements also sets out, that in obtaining financing by Energean (hereinafter - the "Financial Closing") for the costs of the first phase of the approved Karish and Tanin development plan, Energean will be required to pay the balance of the consideration immediately.
On April 30, 2021, Energean announced a debenture issue amounting to USD 2.5 billion and the release of the issuance funds to its accounts. Subsequently, the Partnership requested immediate payment from Energean for the balance of the consideration, in accordance with the provisions of the agreement, however the Partnership's demand was rejected on the grounds that the grounds for immediate payment of the consideration were not met.
As at the approval date of the financial statements, the Partnership is considering legal action against Energean for this matter. It is further noted that in the correspondence between the parties, in May 2021, Energean informed the Partnership that it believes that it is operating under the terms of a force majeure event (as defined in the agreement), arising from the Covid-19 Crisis, which is expected to continue for more than 90 days.
Subsequent to the balance sheet day, on March 24, 2022, Energean notified the Partnership it will defer the fifth annual payment, claiming the existence of force majeure. The Partnership believes that Energean has no grounds for delaying the payment, and that the conditions set out in the agreement for immediate payment of the full balance of the consideration as set out above were met.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

H. Rights in the I/17 Karish and I/16 Tanin leases (cont.)

2. On July 8, 2020, the transaction was completed under which the Company and Delek Energy sold to a third party (hereinafter - the "**Buyer**") all the rights of the Company and Delek Energy to overriding royalties for the Karish and Leviathan Leases (not including the royalty rights of the Partnership and Cohen Development), for a consideration of NIS 318 million. The consideration is distributed between the Company and Delek Energy in accordance with their holding of the right to overriding royalties (25%, the Company; 75%, Delek Energy). As a result, in 2020, the Group included a loss of NIS 44 million (after tax).

G. Yam Tethys transaction

The Yam Tethys joint venture is in the area of the Ashkelon and Noa leases. Production from the Yam Tethys Reservoir began in 2004 and ended in May 2019, following the depletion of the reservoirs. As at the approval date of the financial statements, the project's assets are mainly used by the Tamar Partners (Section B below) to provide infrastructure services to the Tamar Reservoir. It should be noted that the holders of rights in the Tamar lease are permitted to use the Yam Tethys platform for the entire term of the Tamar lease (see Section B below), to supply the local market or export natural gas from the Tamar Reservoir, subject to the terms set out in the Gas Framework.

A) On May 3, 2020, an agreement was signed (hereinafter in this section - the "Agreement") between the Partnership, Chevron, the Company, and Ratio Energies - Limited Partnership (hereinafter - "Ratio"), for the supply of natural gas, under which, gas will be supplied by the Leviathan partners in the Yam Tethys project (the Partnership and Chevron), which are bound under the agreement for the sale of gas in the Yam Tethys project (hereinafter - the "Yam Tethys Agreement"), and by another partner in Leviathan (Ratio), which is not a partner in the Yam Tethys project (and which is not bound by the Yam Tethys Agreement).
The consideration set out in the agreement is the average monthly price of the Leviathan Project for the local market; the consideration was divided such that Ration received a price of natural gas equal to the average monthly price of natural gas (current) supplied to the local market in that month under the agreements between the Leviathan partners and its customers, and the financial balance distributable between the Partnership and Chevron, according to their share in the Leviathan Project. This division maintained a balance of gas quantities at the Leviathan Project between the partners according to their share.

B) Agreement for the right of use of the Yam Tethys project facilities:

The Partnership and the other Yam Tethys partners signed an agreement with the Tamar partners on July 23, 2012, according to which Yam Tethys partners granted the Tamar partners right of use in the facilities of the Yam Tethys project (hereinafter - the "Usage Agreement").
The Usage Agreement will expire at the earlier of: (A) expiry or termination of the Tamar lease, and if the Dalit field is developed to use the Yam Tethys facilities, then expiry or termination of the Dalit lease; (B) notification by the Tamar partners of permanent termination of commercial production of gas from the Tamar Project; (C) decommissioning of the Tamar Project.
The agreement sets out provisions for the usage period and for the end of the usage period, including accounting for upgrades to the facilities. As part of the sale of the balance of the Partnership rights in the Tamar and Dalit leases, the Partnership endorsed its rights in the Usage Agreement to the buyer as a partnership in the Tamar Project (see Section 1 above).
It should be noted that the Yam Tethys partners will continue to own the Yam Tethys facilities and be responsible for covering the cost of the abandoning the facilities and the Usage Agreement defines an accounting mechanism for the value of these facilities at the end of production from the Tamar Project.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

G. Yam Tethys transaction (cont.)

C) Abandonment of wells and subsea equipment:

The Operator began the dismantling and decommissioning of the project facilities, other than the platform, including the producing wells and subsea equipment, in accordance with a dismantling plan approved by the Commissioner. There is also a discussion about possible future uses and/or decommissioning and abandonment of the Yam Tethys platform, considering the connection between the facilities of the Yam Tethys project and production from the Tamar Project.
The decommissioning budget for the drilling and subsea equipment approved by the partners of the Yam Tethys project amounts to USD 196 million (100%, the Company and the Partnership's share is USD 103 million). It should be noted that, based on preliminary information received from the operator, there may be a deviation of USD 40 million (100%) from the budget. As at the date of the financial statements, Yam Tethys partners invested a total amount of USD 154 million for decommissioning expenses (100%, the share of the Company and the Partnership amounts USD 81 million). It should be further noted that this budget does not include a budget for decommissioning of the Yam Tethys platform and the receiving terminal, which is expected to be completed at the end of the production period from the Tamar Project.

H. Ofek and Yahel licenses

In 2019, the Partnership acquired from SOA (hereinafter in this section - the "Seller" or the "Operator) rights at a rate of 25% (out of 100%) each in the Ofek and Yahel onshore licenses. SOA is the operator in the licenses.
The operator informed the Partnership that on August 25, 2021, drilling of Ofek-2 began in preparation for the production tests. As at the approval date of the Financial Statements, and in view of the Covid-19 crisis, there are delays in the start of the works, as well as an increase in the cost for transporting equipment from abroad, the partners in Ofek license approved an updated budget for production tests in the amount of USD 21 million (100%); the Partnership's share in the budget is USD 10 million). If the results of the production tests in the first stage are positive, the Partnership will also participate in its proportionate share in a conditional budget of USD 2.5 million (100%, the share of the Partnership is USD 625 thousand), which will be used for performing up to 4 more production tests. As at the approval date of the financial statements, the production tests have not yet been completed.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

I. Estimates of natural gas reserves, condensate and contingent resources (100% of the projects)

Project (100%)	Oil and gas assets	Reserves report as at	Gas and condensate reserves				Contingent resources			
			Proved + probable reserves		Proved Developed Producing Reserves		High estimate		Low estimate	
			Natural gas (BCM)	Condensate (mmbbl)	Natural gas (BCM)	Condensate (mmbbl)	Natural gas (BCM)	Condensate (mmbbl)	Natural gas (BCM)	Condensate (mmbbl)
Israel										
Ratio Yam	Leviathan	Dec. 31, 2021	379.3	29.5	347.2	27.0	368.5	28.7	115.8	8.2
Cyprus										
Aphrodite	Aphrodite	Dec. 31, 2020 (*)	-	-	-	-	128.8	10.9	56.8	4

(*) As of the balance sheet date there was no change.

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, in the licenses and in the gas and oil exploration concession are partially based, inter alia, 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 as a result of 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.

J. Financing in the Partnership

1. Leviathan Bond debentures

On August 18, 2020, the issue of debentures by Delek Leviathan Bond Ltd. (hereinafter - the "Issuer") was completed; the Issuer is a special purpose company (SPC) held fully by the Partnership, according to which debentures amounting to USD 2.25 billion were issued.
The debentures were issued in four series. The principal and interest of the debentures are in USD. The interest on the debentures of each of the Series will be paid twice a year, on June 30 and December 30.
On August 3, 2020, the Issuer received the approval of the Tel Aviv Stock Exchange Ltd. (hereinafter - the "TASE") to list the debentures for on the TACT-Institutional system of the TASE.
The full consideration for the issue was provided by the Issuer as a loan to the Partnership at the same terms as the terms of the debentures (back-to-back), and in accordance with a loan agreement signed between the Issuer and the Partnership (hereinafter - the "Loan").
The Loan funds were used by the Partnership to repay bank loans in the amount of USD 2 billion, deposit a security cushion in the amount of USD 100 million in accordance with the terms of the debentures, payment of issuance costs at USD 33 million, and the balance that was used for other uses in accordance with the terms of the approval of the Commissioner below.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

J. Financing in the Partnership (cont.)

1. Leviathan Bond debentures (cont.)

To secure the debentures and the loans, the Partnership pledged in favor of the debentures' trustee in a first fixed lien, all its rights in the Leviathan Project (45.34%), including the operating approvals of the production system, and the export approvals, the Partnership's rights and revenues from agreements for the sale of the gas and condensate from the Leviathan Project, the Partnership's rights in the joint operating agreement (hereinafter - the "JOA") for the Leases, the Partnership's share in the project assets (including the platform, wells, facilities, production system, and system for transmission to the shore), the Partnership's rights in dedicated bank accounts, certain insurance policies, and various licenses in connection with the Leviathan Project. The Partnership also pledged the shares held by it in the Issuer, in NBL Jordan Marketing Limited, and in Leviathan Transportation System Ltd. In addition, the Issuer pledged its rights in all of its existing and future assets, in a first floating lien, in favor of the Trustee, and pledged its rights in the loan agreement and in its bank accounts in favor of the Trustee. According to the Financing Documents, the Partnership's undertakings to the Trustee and the debenture holders are limited to the Pledged Assets, with no guarantee or additional collateral.
It should be noted that the Pledges that the Partnership created in favor of the Trustee are subject, among other things, to the State's royalties according to the Petroleum Law and to the rights of the parties entitled to royalties for the Partnership's revenues from the Leviathan Project, including the controlling shareholder in the Partnership. As is standard in financing transactions of this type, under the Financing Documents, the Partnership assumed stipulations, restrictions, covenants, which include, inter alia, the following obligations: Restrictions on additional pledges on the pledged assets and their sale; restrictions on a merger or restructuring as set out in the issue documents; restrictions on amending or revising the joint operating agreement, the agreement for use of the facilities, or agreements for the sale of gas, as set out in the issuance documents; restrictions on expansion of the debenture series or taking additional debt secured by the pledged assets, subject to compliance with several conditions.

In addition, the Financing Agreements prescribed events of default, which - were they to occur, subject to certain remediation periods, restrictions and conditions prescribed - the trustee for the debentures will be entitled (and in case demanded by one quarter of the debenture holders - will be obligated) to call for immediate repayment of the unpaid balance of the debentures and will be entitled to call for the realization of the pledges, including in case of cross-default of other debts for a total set out in the Financing Agreements.
The debentures were rated by international rating agencies and an Israeli rating agency. As at the date of the financial statements, the Partnership has fulfilled its obligations under the agreement as set out above.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

J. Financing in the Partnership (cont.)

2. On December 5, 2021, the Partnership signed framework documents for providing bank credit that it received from a bank in Israel, for the Partnership's operating activities. Under the terms of the credit facility, the Partnership may, for a period beginning on December 6, 2021 and ending on December 6, 2022, from time to time, withdraw loans in USD, up to a total amount of USD 100 million. The utilized credit facility will bear a LIBOR interest rate plus a margin at an annual rate of 2.7%, a non-utilization fee at an annual rate of 0.65% of the unused balance, which will be paid quarterly, and a commitment fee at the rate of 0.75%, Repayable up to December 6, 2023.

   The provision of the credit facility includes standard conditions, inter alia, a negative lien on the Karish and Tanin royalties and on the Partnership's loan to Energean (as outlined in Note 12F), certain restrictions on taking additional credit, restrictions on change in control in the Partnership and restrictions on structural change or change in the nature of its activity, cross default events for a loan in the amounts set out in the agreement. It is further noted that if Energean repays the Partnership's loan to Energean ahead of its original repayment date, which, under the terms of the loan provided to Energean, is after the latest possible repayment date of this loan, half of the net consideration will be used for early repayment of the loan and reduction of the credit facility accordingly. As at the approval date of the financial statements, the Partnership has not yet utilized the credit facility.

3. Tamar Bond debentures:

   In May 2014, the issue of debentures by Delek and Avner (Tamar Bond) Ltd., a special purpose company (SPC) wholly owned by the Partnership, was completed and 5 debenture series amounting to USD 2 billion were issued.
   Following the sale of the balance of the Partnership's rights in the Tamar Project as set out in Note 12C above, in December 2021, the Partnership made full and final repayment in the amount of USD 640 million for the principal of the debentures, secured by liens on the Partnership's rights in the Tamar Project.

4. Debentures (Series B1):

   In December 2016, the Partnership issued NIS 1,528,533,000 par value Debentures (Series B1) to the public, which are listed on the TASE and are repayable on December 31, 2021. The debentures were issued in consideration for their par value, are linked to the USD at the issue date, and bear annual interest at a fixed rate of 4.50%. The total proceeds received, less issuance expenses, amounted to USD 392.6 million. Under the buyback plan approved in 2020, the Partnership performed a buyback of NIS 18,863,393 par value Debentures (Series B1) in consideration for USD 5 million. In 2021 The Partnership executed buybacks of NIS 76,006,633 par value of Series B1 Debentures in consideration for USD 20 million.
   The principal of the Debentures (Series B1) was repaid on their due date on December 31, 2021, in an amount of USD 375.4 million.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

K. Issuance of debentures by Delek Overriding Royalty Leviathan Ltd.

On October 28, 2020, Delek Overriding Royalty Leviathan Ltd. (hereinafter - the “Issuer”), a subsidiary of Delek Energy, completed the issuance of debentures to foreign and Israeli classified investors, which was secured by a lien on the rights to overriding royalties from the Leviathan Project that were transferred to the Issuer (hereinafter - the “Leviathan Overriding Royalty”). The Debentures were issued in a single series in a total amount of USD 180 million par value, repayable on . The repayment date of the debentures is December 30, 2023 (in one lump sum) and bearing); they bear a fixed annual USD interest rate of 7.494% (the effective rate is 10.1%). The interest on the Debentures will be paid twice a year, on June 30 and December 30.

Under the transaction outline, the rights of the Company (25%) and Delek Energy (75%) in the Leviathan Overriding Royalty and the rights attached to the royalty were transferred to the Issuer on the transaction closing date and were pledged in favor of the trustee of the Debentures in the Issuance (hereinafter - the “Issuance Trustee”), to secure repayment of the Debentures. In addition, to secure the interest payments, the issuer deposited collateral in the amount of USD 21 million (as at December 31, 2021 – USD 14.1 million). Issuance and underwriting expenses amounted to USD 12 million. The Debentures are rated B+ on the international rating scale of Fitch rating agency.

As is standard in financing transactions of this type, the issuance documents set out stipulations, restrictions, covenants, and grounds for calling for immediate repayment of the debentures and exercising the pledges, including the issuer's undertaking to deposit all income from the Leviathan overriding royalty in a revenue account pledged in favor of the issuance trustee, which is subject to a waterfall payment mechanism, to maintain a security cushion for the interest payments, and to comply with covenants for the interest coverage ratio, as defined in the documents, such that this ratio will not be less than 1.2 (as at December 31, 2021, this ratio was 2.2).

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

L. Natural Gas Supply Agreements from the Leviathan Project

1. Leviathan Project:

A) Agreements for the sale of natural gas from the Leviathan Project:

Below is a summary of the natural gas supply agreements from the Leviathan Project signed by the Partnership together the Leviathan partners, that are valid as at the approval date of the financial statements:[1]

Customer	Date of start of supply	Term of the agreement[2]	Total contractual maximum supply quantity (100%) (BCM)[3]	Quantity supplied up to December 31, 2021 (100%) (BCM)	Main linkage basis for the price of gas
Independent power producers[4]	2020, or when commercial operation of the Buyer's power station starts (whichever is later).	Some of the agreements are for a short period of up to two and a half years, and others are for long periods of 14 to 25 years. In most of the other agreements, each party is granted an option to extend the agreement if the total quantity is not purchased.	40	3.2	In most of the agreements, the linkage formula gas price is based on the electricity production rate, and includes a minimum price. In a number of short-term agreements, there is a fixed price that is not linked.
Industrial customers	2020	Some of the agreements are for a period of 5 to 15 years and the others are for a short period of up to two years. In most agreements, the parties are not given an option to extend the term of the agreement.	5	0.7	In most of the agreements, the linkage formula is partially based on linkage to Brent prices and in part to the electricity production rate, and includes a minimum price. There is also a partial linkage to the refining margin index and to the general TAOZ index published by the Israeli Electricity Authority.
Export agreement - NEPCO (outlined in Section (D) below)	2020	15 years. The agreement stipulates that if the buyer does not purchase the total contractual quantity in the base period, the supply period will be extended by another two years.	45	4.6	The linkage formula is based on linkage to Brent prices and includes a minimum price.
Export agreement - Blue Ocean (outlined in Section (D) below)	2020	15 years. The agreement stipulates that if the buyer does not purchase the total contractual quantity, the supply period will be extended by another two years.	60	5.3	The linkage formula is based on linkage to Brent prices and includes a minimum price. The agreement includes a mechanism for an update of the price at a rate of 10% (addition or reduction) after the fifth year and after the tenth year of the agreement upon the fulfillment of certain conditions set out in the agreement.
Total			**150**	**14**[5]	

[1] It should be noted that the information in the table does not include agreements for natural gas supply from the Leviathan Project, which are on an interruptible basis, as well as agreements that have ended, including the agreement with IEC (Section B below).

In most of the agreements, the gas supply period may end on the date on which the maximum contractual quantity set out in the agreement was supplied to the customer

This quantity is the maximum quantity that the Leviathan partners undertook to supply to the customers in the term of the agreements. The quantity of the commitment of customers for acquisition is lower than this quantity. It is noted that in some agreements, there is a mechanism whereby the Buyer may reduce/increase the quantities purchased (including the total contractual quantity) until the date set out in the agreement, based on its requirements and the provisions in the agreement. It should be further noted that in some agreements, the maximum supply quantity is not specified.

[4] The information in the table includes agreements for which not all of the preconditions have been fulfilled.

[5] It should be noted that, the total quantity supplied from the Leviathan Project up to December 31, 2021 (100%) (both under the agreements in the table and under spot agreements, and agreements that have ended) amounts to 18 BCM.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

L. Natural Gas Supply Agreements from the Leviathan Project (cont.)

1. The Leviathan Project: (cont.)

A) Agreements for the sale of natural gas from the Leviathan Project to the local market (cont.)

Additional information about agreements for sale of natural gas signed by the Leviathan partners:

1) In most of the natural gas sales agreements of independent power producers and industrial customers (hereinafter in this section - the “Agreements”), the customers have a take or pay commitment for a minimum annual quantity of natural gas according to a mechanism in the supply agreement (hereinafter - the “Minimum Quantity”).It should be noted that the agreements set out provisions and mechanisms allowing each of the buyers, after paying for natural gas not consumed under the agreements, due to application of the Minimum Quantity, as set out above, to receive gas without additional payment up to the amount paid for the gas not consumed, in years subsequent to the year in which payment was made. The agreements also set out a mechanism for the accumulation of excess volume (beyond take or pay) consumed by the buyers in the course of any year, and its use to reduce the buyers’ undertaking to purchase the Minimum Quantity, as set out above, in several subsequent years. The agreements include further provisions, including the following: the right to end the agreement in the event of material breach of liability, the right of the Leviathan partners to supply gas to the buyers from other natural gas sources, compensation mechanisms in the event of failure to supply the quantities set out in the agreement, limitations for the parties' liabilities in the agreement, and regarding the relations between the Sellers and themselves in everything connected to gas supply for the buyers.

2) In accordance with the Gas Framework terms, in agreements signed up to June 13, 2017, and for a period exceeding 8 years, there is an option to reduce the Minimum Quantity to an amount equal to 50% of the average annual quantity actually consumed in the three years prior to the notice of exercising the option, subject to adjustments as set out in the supply agreement. Upon the reduction of the Minimum Quantity, the other quantities in the supply agreement will be reduced accordingly. Each of the buyers may exercise the Option by notice to the Sellers, over a period of 3 years, starting from 5 years after gas starts to flow from the Leviathan Project to the Buyer. If the Buyer gives notice of exercise of the Option, the quantity will be reduced 12 months after delivery of the notice.

3) Most of the supply agreements set out various preconditions which include, obtaining the required approvals from the buyers regarding the agreement. As at the approval date of the financial statements, the claim is in the stage of closing statements.

4) The supply agreements include further provisions, including the following: The right to end the agreement in the event of material breach of liability, the right of the Leviathan partners to supply gas to the buyers from other natural gas sources, compensation mechanisms or in the event of failure to supply the quantities set out in the agreement, limitations for the parties' liabilities in the agreement, and regarding the relations between the Sellers and themselves in everything connected to gas supply for the buyers.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

L. Natural Gas Supply Agreements from the Leviathan Project (cont.)

1. The Leviathan Project: (cont.)

B. Additional information about the gas supply agreement between the Leviathan partners and the IEC:

Following the competitive process conducted by IEC, on June 12, 2019 the IEC-Leviathan agreement was signed; it regulates the supply of natural gas from the Leviathan Reservoir to IEC based on available capacity (hereinafter in this section - the “Agreement").
The supply of gas to the IEC under the agreement began on December 31, 2019, and ended on June 30, 2021. The Supply Agreement sets a fixed gas price that is not linked.

On January 30, 2021, concurrently with the signing of the Tamar Settlement Agreement, the Leviathan partners and the IEC signed a settlement agreement (hereinafter - the “Leviathan Settlement Agreement”), which amends the IEC-Leviathan Agreement, in which, without derogating from the obligations of the parties under the IEC-Leviathan Agreement, the IEC undertook to order from the Leviathan partners, in the first half of 2021, 1.2 BCM of natural gas, from which certain gas quantities will be deducted, as agreed, mainly gas quantities ordered by the IEC from Leviathan and not supplied, as well as gas quantities that will not be consumed by the IEC due to force majeure events and or malfunctions in significant production units of the IEC (hereinafter - the “Base Quantity”). If the IEC does not order the Base Quantity in the specified period, it will be required to pay the Leviathan partners for the difference between the Base Quantity and the actual quantity ordered.
The IEC may use the remaining Base Quantity that it paid for but did not use, according to the mechanism set out in the Leviathan Settlement Agreement. In addition, the Leviathan partners will grant the IEC a price discount for ordering gas quantities exceeding 0.5 BCM, ordered as from January 1, 2021 (during the reporting period, the IEC consumed more than said quantity and was given the said discount).
The Leviathan Settlement is also subject to the fulfillment of preconditions and regulatory approvals, including the approval of the Competition Authority and the approval of the Competition Tribunal to the agreed order. The Leviathan partners announced that in accordance with Chevron's announcement, the agreed order between Chevron and the Israel Competition Authority, under Section 50B of the Economic Competition Law, 1988, was approved by the Competition Tribunal, and on May 31, 2021, all the preconditions for the entry of the settlement agreement into force were met.
On July 4, 2021, the Leviathan Partners signed a master agreement with the IEC for the supply of natural gas on a spot basis 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.

C. Agreement for the export of natural gas from the Leviathan Project to the National Electric Power Company of Jordan:

In September 2016, an agreement for the supply of natural gas was signed between NBL Jordan Marketing Limited (hereinafter - the "Marketing Company") and NEPCO (hereinafter - the "NEPCO Agreement"). The Marketing Company is a wholly owned subsidiary of the partners in the Leviathan Project, which hold it in proportion to their interests in the Leviathan Project.
Under the NEPCO agreement, the Marketing Company undertook to supply natural gas to NEPCO for 15 years as from the date of commencement of commercial supply or when total supply reaches 45 BCM. Gas supply began on January 1, 2020.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

L. Natural Gas Supply Agreements from the Leviathan Project (cont.)

1. The Leviathan Project: (cont.)

C. Agreement for the export of natural gas from the Leviathan Project to the National Electric Power Company of Jordan: (cont.)

Under the NEPCO Agreement, the gas supply point is at the connection between the Israeli transmission system to the Israeli transmission system at the Israel-Jordan border. In December 2019, INGL completed the construction of the Israeli transmission system up to the Israel-Jordan border at a cost of USD 121 million (100%, the share of the Partnership is USD 55 million).

NEPCO has a take or pay commitment for a minimum annual volume of gas according to a mechanism set out in the NEPCO Agreement.
On November 2016, the Leviathan Partners and the Marketing Company signed a back-to-back GSPA (hereinafter - the “Back-to-Back GSPA”), whereby the amounts to be received, the liabilities, the risks and the costs relating to the Export Agreement will be endorsed to the Leviathan Partners under the same terms, back-to-back, as if the Leviathan Partners were a party to the Export Agreement instead of the Marketing Company.

D. Agreement for the export of natural gas from the Leviathan Project to Blue Ocean in Egypt:

In February 2018, the Partnership and Chevron signed an agreement with Blue Ocean (hereinafter - the "Buyer") for the export of natural gas from the Leviathan Project to Egypt.
On September 26, 2019, the Leviathan partners and Blue Ocean signed an agreement to amend the original Leviathan-Blue Ocean agreement (hereinafter in this section -the "Leviathan Agreement") and the Leviathan partners and the Tamar partners signed an agreement for the allocation of available capacity in the transmission system from Israel to Egypt. On January 15, 2020, natural gas started to flow in accordance with the Leviathan Agreement. It should be noted that, in a tax ruling issued to the Leviathan partners by the Tax Authority on December 9, 2019, and under the terms of the Gas Framework, the Leviathan partners undertook to offer new customers (as defined in the Gas Framework) with which they have or will have agreements from February 19, 2018 until 3 years from the date the tax ruling is signed, meaning December 9, 2022, agreements for the sale of natural gas at a price calculated according to the formula in the Leviathan agreement, which is based on the Brent price, while performing a number of adjustments as set out in the tax ruling, including in view of the location of the delivery point set out in the Leviathan agreement.
In July 2020, after receiving a permit from the Natural Gas Authority for the flow of natural gas, running-in of the compressor installed at the EAPC premises in Ashkelon was completed. Installation of the compressor made it possible to increase the gas flow from Leviathan Reservoir to Egypt.
It should be noted that, in a tax ruling issued to the Leviathan partners by the Tax Authority on December 9, 2019, and under the terms of the Gas Framework, the Leviathan partners undertook to offer new customers (as defined in the Gas Framework) with which they have or will have agreements from February 19, 2018 until 3 full years from the date the tax ruling is signed, agreements for the sale of natural gas at a price calculated according to the formula in the Leviathan Agreement, which is based on the Brent Price, while performing several adjustments as set out in the tax ruling, including in view of the location of the delivery point in the Leviathan Agreement.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

L. Natural Gas Supply Agreements from the Leviathan Project (cont.)

1. The Leviathan Project: (cont.)

D. Agreement for the export of natural gas from the Leviathan Project to Blue Ocean in Egypt: (cont.)

Following is a summary of the details and terms of the Leviathan export agreement:

(1) The total contractual gas quantity that the Leviathan Partners undertook to supply to the Buyer on a firm basis is 60 BCM (hereinafter - the "Total Contractual Quantity").

(2) The gas supply started on January 15, 2020 and will continue until December 31, 2034 or until full supply of the Total Contractual Quantity in the Leviathan Agreement, whichever is earlier (hereinafter - the "Leviathan Agreement Period"). In the event that the buyer does not purchase the total contractual quantity, each party may extend the supply period by another two years.

(3) The Leviathan Partners undertook to supply annual gas quantities to the Buyer, as follows: (i) in the period beginning on January 15, 2020 and ended on June 30, 2020 - 2.1 BCM per year; (ii) in the period beginning on July 1, 2020 and ending on June 30, 2022 - 3.6 BCM per year; and (iii) in the period beginning on July 1, 2022 and ending upon termination of the Leviathan Agreement - 4.7 BCM per year. It should be noted that supply will be increased by upgrading the systems at the EMG terminal in Ashkelon, including installation of an additional compressor, and by increasing transmission capacity in the INGL system and/or the flow of natural gas from Israel to Egypt through Jordan. See Note 12O below.

(4) The Buyer undertook to take-or-pay commitment for quarterly and annual quantities, in accordance with the mechanisms set out in the Amendment to the Leviathan Agreement, which, among other things, allow the Buyer to reduce the take or pay quantity in a year in which the average daily Brent price (as defined in the agreement) falls below USD 50 per barrel, to 50% of the annual contractual quantity. It should be noted that, insofar as the contractual quantity is reduced in event of a dispute regarding an adjustment to the gas price, as set out in Section 5 below, the right of Blue Ocean to reduce the take-or-pay quantity as aforesaid will be null and void (see Note 23A2 regarding a claim and motion to certify the claim as a class action filed against the Group due to the said condition).

(5) The price of gas supplied to the Buyer will be calculated by a formula based on the price of a barrel of Brent oil and includes a minimum price. Export to Egypt includes a mechanism for an update of the price at a rate of up to 10% (addition or reduction) after the fifth year and after the tenth year of the agreement, upon the fulfilment of certain conditions set out in the agreement. If the parties fail to reach an agreement on the price adjustment as described above, the Buyers will be entitled to reduce the contractual quantity by up to 50% on the First Adjustment Date and up to 30% on the Second Adjustment Date. It should be noted that the Agreement includes quantity-based incentives, and it is subject to the price of a barrel of oil.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

L. Natural Gas Supply Agreements from the Leviathan Project (cont.)

1. The Leviathan Project: (cont.)

D. Agreement for the export of natural gas from the Leviathan Project to Blue Ocean in Egypt: (cont.)

Following is a summary of the details and terms of the Leviathan export agreement: (cont.)

(6) The Leviathan agreement includes standard provisions for termination of the Agreement and provisions in the event of termination of the export agreement between the Tamar partners and Blue Ocean due to its breach, and the refusal of the Leviathan partners to supply the quantities set out in the Tamar agreement and includes compensation mechanisms in such case.

(7) It should be noted that under the series of agreements described in Section L1A above, the Leviathan partners and Blue Ocean signed an amendment to the agreement for export to Egypt, in which it was agreed, among other things, to define the delivery point in Aqaba, Jordan as an additional delivery point under the Leviathan agreement, according to which the unsupplied quantities ordered by Blue Ocean will be calculated at the end of 2022 on an annual basis, such that at the end of the year, the parties will assess the quantity of unsupplied gas, which will be offset from the quantity of gas to be supplied to Blue Ocean on a spot basis during the year, and on the price adjustments for natural gas to be supplied at the additional delivery point, in accordance with the additional costs involved in transporting the gas from the additional delivery point, which Blue Ocean will cover.

E. Agreement for the export of natural gas from the Leviathan Project to Blue Ocean in Egypt:

Concurrently with the signing of the agreements for export to Egypt, NewMed Energy and Chevron signed an agreement with the other Leviathan partners and with the Tamar partners for the allocation of capacity (hereinafter in this section the "Capacity Allocation Agreement") in the transmission system from Israel to Egypt. The division of capacity in the transmission system from Israel to Egypt (the EMG Pipeline and the transmission pipeline in Israel) will be on a daily basis, according to the following order of priority:

(1) First layer: up to 350,000 MMbtu per day will be allocated to the Leviathan partners.

(2) Second layer - the capacity exceeding the first layer, up to 150,000 MMbtu per day up to June 30, 2022 (hereinafter - the "Capacity Increase Date"), and 200,000 MMbtu per day after the Capacity Increase Date, will be allocated to the Tamar Partners.

(3) Third layer: any additional capacity above the second layer will be allocated to the Leviathan partners.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

L. Natural Gas Supply Agreements from the Leviathan Project (cont.)

1. The Leviathan Project: (cont.)

E. Agreement for the export of natural gas from the Leviathan Project to Blue Ocean in Egypt: (cont.)

Under the Capacity Allocation Agreement, at the closing date of the EMG transaction, the Leviathan partners and the Tamar partners paid the Partnership and Chevron a total of USD 250 million (80% by the Leviathan partners and 20% by the Tamar partners), as a participation fee for the undertaking to allow the flow of natural gas from the Leviathan and Tamar Reservoirs and guaranteed capacity in the EMG pipeline. Under the agreement, the amount of the payments will be updated by June 30, 2022, in accordance with the formula set out in the agreement, based on the actual use of the EMG pipeline. The Capacity Allocation Agreement sets out additional arrangements for the additional costs and investments required to prepare the EMG pipeline for use and to use the maximum capacity in the pipeline, which will be divided between the Leviathan partners and the Tamar partners. The Capacity Allocation Agreement further stipulates that as from June 30, 2020, and until the Capacity Increase Date, if the Tamar Partners are unable to supply the quantities which they undertook to supply to Blue Ocean, the Leviathan partners will supply the required quantities to the Tamar Partners. This is, up to a total maximum quantity of 150,000 MMBtu/d, under MMBTU per day, according to the terms and conditions outlined in the agreement.

The term of the Capacity Allocation Agreement is until the termination of the Egypt export agreements, unless it had been terminated earlier in one of the following cases: a breach of a payment undertaking that was not remedied by the party in breach; in a case where the Competition Authority does not approve extension of the CLOA according to the decision of the Competition Commissioner. Furthermore, each party will have the right to terminate its part in the Capacity Allocation Agreement if its export agreement is cancelled.

2. Force majeure events under agreements for the sale of natural gas:

In the Partnership's agreements for the sale of natural gas, other than the spot agreements (hereinafter - the "Agreements"), the customers have a take-or-pay agreement for a minimum annual quantity of natural gas, according to the mechanisms set out in the agreements. However, the customers may be exempt from this obligation, in the event of force majeure that prevents them from fulfilling their obligations, as defined in the Agreements. A force majeure event is defined as an event beyond the customer's control, which prevents it from fulfilling its undertakings under the agreement and which could not reasonably have been prevented under the circumstances. The Agreements list events that will not be considered force majeure, also where they are beyond the customer's control. It should be noted that the Partnership may also be exempt from its obligations under the agreements for sale of natural gas in the event of force majeure that prevents it from fulfilling its obligations s under the Agreements.

If a force majeure event continues over a prolonged period as set out in an agreement for the sale of natural gas (usually between one and three years) and it has a material effect on the ability of a party to fulfil its undertakings as aforesaid, this may constitute grounds for termination of the agreement. Accordingly, a force majeure event over a prolonged period, which suspends a customer's undertakings to buy a significant quantity of natural gas, may have a material adverse effect on the Partnership's revenues.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

L. Natural Gas Supply Agreements from the Leviathan Project (cont.)

3. Agreement for supply of condensate to Bazan:

In December 2019, an agreement was signed (hereinafter - the “Bazan Agreement”) according to which condensate produced from the Leviathan Reservoir will flow to the EAPC pipeline leading to the tank farm of Petroleum & Energy Infrastructures Ltd. (hereinafter - "PEI”) and from there to Bazan’s facilities, in compliance with regulatory directives.
The Bazan Agreement is on an interruptible basis for 15 years, commencing from the start of condensate flow (in commercial quantities), with each party having the right to terminate the Bazan Agreement with at least 360 days’ notice to the other party. In addition, each party may cancel the Bazan Agreement with shorter notice under certain circumstances, including in the event of a breach by the other party, and in the event of regulatory and other changes that will not allow the flow of condensate in accordance with the Bazan Agreement.
The flow of condensate to Bazan under the Bazan Agreement will be on an interruptible basis up to a maximum quantity agreed on by the parties (hereinafter - the “Maximum Quantity”). The parties may revise the Maximum Quantity from time to time, subject to compliance with the terms established by the authorities in this respect, including conditions laid down by the authorities in this regard, including the Ministry of Energy and the Ministry.

Under the Bazan Agreement, the delivery of the condensate to the Bazan will be for no consideration, and the Leviathan partners will bear all expenses incurred for the flow of condensate.
In correspondence between the Leviathan partners and Bazan in the first quarter of 2022, the Leviathan partners claimed that the absence of payment for the condensate supplied to Bazan constitutes abuse of Bazan’s power as a monopoly in the purchase of condensate, in violation of the law. In this application, the Leviathan's partners requested negotiations with Bazan to amend this violation immediately and retroactively. Bazan responded in a letter rejecting the claims of the Leviathan partners, and the Leviathan partners responded with a clarification of their position, according to which Bazan’s failure to pay for the condensate supplied to it constitutes a violation of the law and causes material damage to the Leviathan partners. As at the approval date of the report, the Leviathan partners are considering legal action against Bazan.

4. Estimates regarding gas quantities and supply dates:

The estimates of the quantity of natural gas purchased by the buyers in the Leviathan Project, and commencement of supply under the supply agreement is forward-looking information, and there can be no certainty that it will materialize, in whole or in part, and it might materialize in a substantially different manner, due to various factors, including non-fulfillment of the preconditions in each of the supply agreements (to the extent they have not yet been fulfilled), failure to obtain regulatory approvals, changes in the volume, rate and timing of natural gas consumption by each of the buyers, the gas price based on the formulas in the supply agreements, the USD-NIS exchange rate (if relevant to the supply agreement), Brent prices (if relevant to the supply agreement), the US-CPI (if relevant to the supply agreement), construction and operation of the power plant and/or other facilities of the buyers (if relevant to the supply agreement), exercise of the options granted to each party in the supply agreements, and their exercise date.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

M. Royalties to the State, the Group, and others

1. Following completion of the merger of the Partnership and Avner Oil Exploration Limited Partnership (hereinafter “Avner”) in May 2017, all the obligations for royalties on all the Partnership's gas and oil assets (present and future) apply, however the rate of royalties decreased by 50% compared with the rate of royalties prior to the merger (the Partnership and Avner Partnership held equal parts of the oil assets, other than the Ashkelon and Noa leases, which the Partnership held at a rate of 25.5% and the Avner held at a rate of 23%, for which the royalties decreased by 47.42% compared with the royalties paid by the Partnership to the Company and Delek Energy, as defined below, and by 52.58% compared with the royalties paid by Avner Partnership prior to the merger, as set out below).

2. Under the agreement for the transfer rights signed in 1993, the Partnership undertook to pay Delek Energy and the Company (hereinafter jointly - the “Royalty Holders”), royalties in the rates set out below from the share of the Partnership in oil and/or gas and/or any other valuable material to be produced and used from the oil assets in which the Partnership has or will have an interest (before the deduction of any royalties, but after amortization of the oil, which will be used for production itself).
   Below are the rates of the royalties: up to the investment recovery date of the Partnership, royalties will be paid at a rate of 2.5% of the onshore oil assets and 1.5% of the offshore oil assets, and after the investment recover date - 7.5% of the onshore oil assets and 6.5% of the offshore oil assets.
   Under the agreement between the Partnership and the Royalty Holders, an expert arbitrator was appointed in 2002 to determine the correct meaning of some of the definitions and terms regarding the royalties payable by the Partnership, as set out above, in particular, the definition for the "Investment Recovery Date". In his decision, the expert expressed his opinion, among other things, on the method of calculation and the various elements that should and should not be taken into account when determining the "Investment Recovery Date". For information about the dispute between the Partnership and the Royalty Holders, regarding the investment recovery date in the Tamar Project, see Notes 23A2.

3. Royalty to the state:

   The Petroleum Law, 1952 (hereinafter - the “Petroleum Law"), and the Petroleum Regulations, 1953, stipulate that a lease holder, within the meaning of this term in the Petroleum Law, is required to pay a royalty to the state at a rate of one-eighth of the quantity of oil produced and utilized from the area of the lease, at the market value at the wellhead (excluding the quantity of oil used by the lease holder for operating the area of the lease, but in any event, the royalty will not fall below the minimum royalty set out in the Law.
   In accordance with the Petroleum Law, the state is entitled to royalties from the quantity of gas produced. The Commissioner notified the operator of the joint ventures that the state decided not to take the royalties to which it is entitled from gas discoveries, in kind, but to take the market value of the royalties at the wellhead, in USD.
   In May 2020, the Ministry of Energy released directives on the manner of calculation for the value of the royalty at the wellhead in relation to offshore oil rights, under Section 32 of the Petroleum Law and the specific directives for the Tamar lease. For information about the directives, see Section O below.

4. Since the beginning of production from the Tamar Reservoir, the Partnership has been paying, under protest, advances on account of royalties to the state at rates of 11.3%-12% as set out by the Ministry of Energy.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

M. Royalties to the State, the Group, and others (cont.)

5. In September 2020, the Natural Resources Administration at the Ministry of Energy released specific directives for calculation of the value of the royalty at the wellhead in the Tamar Project (hereinafter - the" Specific Directives"), which determined the rate of the deductible expenses when calculating the royalty value at the wellhead. Based on estimates and assessments by Partnership, there are no material discrepancies between the amounts recognized as royalty expenses in the statement of comprehensive income in the reporting period, and the royalty expenses calculated in accordance with the Individual Provisions. It should be clarified that there are significant discrepancies between the cumulative royalties actually paid to the Ministry of Energy since production started from the Tamar Project and the amounts recognized as royalty expenses in the statement of comprehensive income (see Section 7 below).

6. As from the start of gas supply from the Leviathan Reservoir, the Leviathan partners make advance payments to the state on account of royalties to the state at a rate of 11.26%, for revenues from the Leviathan Project, in accordance with the the letter of demand received from the Ministry of Energy in January 2020. This effective rate is higher than the calculation of the Partnership and Chevron. Based on the royalty report submitted by Chevron to the Ministry of Energy for 2020, the rate of royalties to the state in the Leviathan Project should be 9.58%. Accordingly, the rate of royalties used by the Partnership in its financial statements for 2021 is 10.7% (in 2020, 10.8%); it should be clarified that there are significant discrepancies between the cumulative royalties actually paid to the Ministry of Energy since production started from the Tamar Project and the amounts recognized as royalty expenses in the statement of comprehensive income (see Section 9 below).

7. It should be noted that the Partnership believes that calculation of the actual royalty rate to the state from the Tamar and Leviathan Projects should reflect the complexity and risks involved in the project, and the scope of investments in the project.

8. For information about the claim to return royalties paid to the state by the Partnership and Chevron, for their revenue from the supply of natural gas, from their part in the Tamar Project, to their customers under the Yam Tethys agreements, see Note 23A1 below.

9. The difference between the royalties paid to the State and the effective royalty rates used by the Partnership in its financial statements in the Tamar and Leviathan Projects, amounted to USD 25 million (2020: USD 19.5 million), and was included under long-term receivables.

10. The calculation method for royalties to the state is also used to calculate the market value at the wellhead of the overriding royalty paid by the Partnership to the interested parties and third parties. The difference between the royalties actually paid to related parties and to third parties and the effective royalty rates used by the Partnership in its financial statements in the Tamar Project and the Leviathan Project amounted to USD 8.8 million (in 2020: USD 7.8 million), which was included under other long-term assets.

11. In February 2019, Tamar Petroleum presented the Company, Delek Energy and Tomer Energy (formerly Delek Royalties) (hereinafter - the "Royalty Holders") with its position that according to the interim calculation report as at the investment recovery date, which was prepared on its behalf in February 2019 (hereinafter in this section - the "Interim Calculation Report"), the investment recovery date in the Tamar lease was achieved at the end of February 2018, subject to adjustments and conditions as set out in the Interim Calculation Report. Tamar Petroleum requested a refund of royalties in the amount of USD 852 thousand for the share of the Royalty Holders (hereinafter in this section - the "Refund Amount"). On February 27, 2019, after the Company and Delek Energy did not respond to Tamar Petroleum's request for the Refund Amount, Tamar Petroleum offset the Refund Amount from the royalty payments at the end of February 2019 (Delek Energy transferred its share of USD 639 thousand to Delek Royalties as part of the indemnification arrangement it has with Tomer Energy.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

M. Royalties to the State, the Group, and others (cont.)

11. (cont.)
The Company and Delek Energy notified Tamar Petroleum of their firm opposition to the contents of Tamar Petroleum's letter, including the attached calculation, and denied Tamar Petroleum's right to the offset (which the Company and Delek Energy claim was made in contravention of the law). Delek Energy and the Company further noted that they have serious claims regarding the advance of the investment recovery date to long before February 2018 (the date claimed by Tamar Petroleum). The Company and Delek Energy also stated that, if Tamar Petroleum does not transfer the Refund Amount that was offset (in contravention of the law), and if it does not agree with the position of the Company and Delek Energy regarding the early the investment recovery date, the Company and Delek Energy will consider their steps as to how to clarify these issues. See also Note 23A2(3).

N. Regulation

1) The Gas Framework

A) On August 16, 2015, Government Decision No. 476 (which was adopted in the government decision of May 22, 2016) approved the outline for increasing the quantity of natural gas produced from the Tamar natural gas field and swift development of the Leviathan, Karish, and Tanin gas fields and other natural gas fields (hereinafter in this section - the "**Government Decision**"), which came into effect on December 17, 2015 after the Prime Minister, acting as Minister of the Economy, granted an exemption from certain provisions in the Restrictive Trade Practices Law to Ratio and Noble (hereinafter in this section - the "**Parties**"), in accordance with the provisions of Section 52 of the Restrictive Trade Practices Law (hereinafter in this section - the "**Exemption**" or the "**Exemption under the Restrictive Trade Practices Law**"), the main points of which are set out below.

B. Following are the restrictive trade practices for which the exemption was granted:

1) The restrictive arrangement that ostensibly arose, according to the position of the Competition Commissioner, following acquisition of the rights in the Ratio Yam permit by the parties; and the restrictive arrangement that ostensibly arose after the parties became the joint owners of the Ratio Yam and Leviathan Reservoir permit.
2) The restrictive arrangement that will arise, ostensibly, if all or some of the parties will jointly market the gas produced from the Leviathan Reservoir to the local market until January 1, 2025.
3) The restrictive arrangement that will arise, ostensibly, if all or some of the parties will jointly market the gas produced from the Leviathan Reservoir for export only.
4) The restrictive arrangement that may arise from a certain agreement for acquisition of natural gas from the Leviathan Reservoir, provided that the agreement is signed by January 1, 2025.
5) In everything relating to their activity in the Tamar and Leviathan reservoirs only, the Partnership and Noble hold a monopoly according to the declarations of the Competition Commissioner.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

N. Regulation (cont.)

1) The Gas Framework (cont.)

C. The exemption from the restrictive arrangements set out in section B above is contingent on fulfilment of the following conditions, among others: The sale of all of the Partnership's rights in the Karish and Tanin leases; the sale of all of the Partnership's rights in the Tamar and Dalit leases within 72 months from the date of the exemption under the Economic Competition Law, certain stipulations relating to existing and future agreements for the supply of gas from the Tamar and Leviathan reservoirs, including price alternatives, linkage and gas quantities.
Meeting the guidance with respect to the development of the Tamar SW Reservoir, undertaking to invest in local content. In addition, the Gas Framework regulated issues relating to the export of natural gas, the existence of a stable regulatory environment, and various taxation issues.

D) As at the approval date of the financial statements, the Group sold its entire holdings in the Karish and Tanin reservoirs, as well as its entire holdings in the Tamar and Dalit leases, including the rights to sell royalties from the Tamar and Dalit leases.

2. Guidelines for providing collateral for oil rights

In September 2014, the Commissioner issued guidelines for collateral for oil rights in accordance with Section 57 of the Petroleum Law.
As at the balance sheet date, the Partnership has deposited autonomous bank guarantees with the Ministry of Energy, in the amount of USD 55 million for the Leviathan, Ashkelon, and Noa leases and for the Alon D, Ofek Hadash, and Yahel Hadash licenses, against bank credit line.

3. Financing of projects for export through the national pipeline

On March 23, 2020, the Natural Gas Market Council issued an addendum to its decision of September 7, 2014, regarding the financing of export projects through the national pipeline and division of the construction costs of the Ashdod-Ashkelon combined section. Under the Dolphinus agreements as set out in Sections M1D and M2D above, it was agreed that the Tamar partners and the Leviathan partners, as the case may be, would bear the costs for gas flow in the INGL pipeline. According to the addendum to the decision, among other things, the offshore section of the pipeline to be constructed in the future, beginning at the receiving platform in Ashdod and ending at the facility connecting to the export facilities of Prima Gas Ltd. will be a combined section (hereinafter - the "Combined Section"); 43.5% of the cost of the Combined Section, to be determined, will be financed by the license holder and 56.5% of the Combined Section will be financed by the exporter, according to the milestones set out in the transmission agreement between the exporter and the transmission license holder.
It should be noted that on June 23, 2020, Director General of the Natural Gas Authority announced that he had set the estimated cost of the segment at a total of NIS 738 million (of which the Partnership's share is estimated at NIS 130 million). In addition, a total of NIS 48 million for accelerating the doubling of the Dor-Hagit and Sorek-Nesher sections, of which the exporter will pay the holder of the transmission license an amount of NIS 27 million (of which, the Partnership's share is estimated at NIS 8.5 million). Such costs will be adjusted in accordance with the mechanism for updating and accounting between the parties, which will be incorporated in the transmission agreement with INGL and will be submitted for approval.
For information about the agreement between Chevron and INGL for transmission on a firm basis for the flow of natural gas from the Tamar Reservoir and the Leviathan Reservoir to the EMG receiving terminal in Ashkelon, for its transmission to Egypt.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

O. Entering into a transmission agreement for the purpose of exporting gas to Egypt

On January 18, 2021, Chevron signed an agreement with INGL for the supply of transmission services on a firm basis to deliver natural gas from the Tamar and Leviathan reservoirs to the EMG receiving terminal in Ashkelon for its transmission to Egypt (hereinafter - the "Transmission Agreement").

1) Under the Transmission Agreement, INGL undertook to provide transmission services for the natural gas to be supplied from the Tamar and Leviathan reservoirs, including maintaining a base capacity in the transmission system in the annual scope of 5.5 BCM (hereinafter - the "Base Capacity"). For the transmission services with respect to the Base Capacity, Chevron will pay a capacity fee and will pay for the throughput gas quantity, according to the transmission tariffs that are customary in Israel, as updated from time to time. INGL also undertook to provide interruptible transmission services for additional gas quantities over and above the Base Capacity, subject to the capacity that will be available in the transmission system. For the transmission of the additional quantities as aforesaid, Chevron will pay a transmission tariff for interruptible transmission services for the throughput quantities. The Partnership believes that the transmission system was designed in such manner as to enable transmission of the full contractual quantity set out in the export agreements.

2) Under the Transmission Agreement, Chevron undertook to pay for delivering a gas in a quantity of no less than 44 BCM throughout the entire term of the agreement. If the parties agree to increase the Base Capacity, the minimum quantity for delivery will be increased accordingly.

3) The flow of gas under the Transmission Agreement will commence on the date INGL completed the construction of the Ashdod-Ashkelon transmission section, in accordance with the decision of the Natural Gas Authority regarding the financing of export projects through the Israeli transmission system and allocation of the construction costs of the Ashdod-Ashkelon combined section (see Section 6) (hereinafter - the "Authority's Decision"), as well as doubling the Dor-Hagit and Sorek-Nesher sections to allow the flow of the full quantities under the Transmission Agreement (hereinafter - the "Commencement Date of Gas Flow").

4) Based on current updates from INGL regarding the completion of the Combined Section, it is gas flow is expected to begin in April 2023. As a result, the Leviathan partners signed a series of agreements for the flow of natural gas under the agreement for export to Egypt, through Jordan, using the Israeli transmission system to Jordan and the transmission system connecting Jordan to Egypt in the Aqaba-Taba area (the Arab Gas Pipeline). According to the said series of agreements, the gas flow through Jordan to Egypt has started, allowing maximization of production from the Leviathan Reservoir and transfer of surplus natural gas, which is not consumed in Israel and Jordan and/or delivered to Egypt through the EMG pipeline to the local market in Egypt, through the Jordanian transmission system, mainly until INGL's completion of the Ashdod-Ashkelon offshore transmission system. In this context, it should be noted that the Ministry of Energy granted the Leviathan partners approval for another delivery point for natural gas to Egypt, which will be in Aqaba, Jordan.
In the current transmission and operating conditions, natural gas can be delivered to Egypt, through Jordan, in an average amount of up to 650 MMcf/d (6.5 BCM per year). Under the series of agreements, the Leviathan partners and Blue Ocean signed an amendment to the agreements for export to Jordan, as set out in Section C1d above.

5) For information about the quantities of gas supplied under the Tamar-Blue Ocean and Leviathan-Blue Ocean agreements, see Sections L1C and L1d above.

6) The transmission period under the 2019 agreement will be extended until January 1, 2024 or until gas starts to flow under the Transmission Agreement, whichever is earlier.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

O. Entering into a transmission agreement for the purpose of exporting gas to Egypt (cont.)

7) The Transmission Agreement will expire at the earlier of: (1) the date on which the total throughput quantity will reach 44 BCM; (2) 8 years after the Commencement Date of Gas Flow; or (3) upon the expiry of INGL's transmission license. The Partnership believes that at the end of the term of the Agreement, no difficulty is expected in its extension at the standard capacity and transmission tariffs of the holder of the transmission license at such time.

8) In accordance with the principles set out in the Authority's Decision, Chevron undertook to pay for the partners' share in both Leviathan and Tamar (56.5%) of the overall cost of construction of combined section.

9) In accordance with the Authority's Decision, the Leviathan partners and Tamar partners provided a bank guarantee to secure INGL's share of the construction cost of the infrastructure, and to cover Chevron's undertaking to pay the capacity and transmission fee. In February 2021, the Partnership provided NIS 142 million in guarantees in favor of INGL for its share in the Leviathan Project and also pledged an amount of USD 13 million in favor of deposit guarantees.

10) The Leviathan partners and Tamar partners will bear the costs set out in Section 6 above and will provide the guarantees set out in Section 7 above at the rates of 69% and 31%, respectively.

    The Partnership believes that its share of the construction cost of the combined section and the acceleration costs of doubling the Dor-Hagit and Sorek-Nesher transmission system sections, may amount to USD 43.8 million.

11) Under the Transmission Agreement, in the event of discontinuation of the export of natural gas from the Tamar Project and Leviathan Project to Egypt, Chevron will be entitled to terminate the Transmission Agreement, subject to payment of damages to INGL for the early termination, in the amount equal to 120% of the construction costs of the combined section, together with the costs of acceleration of the doubling of the Dor-Hagit and Sorek-Nesher sections, and net of the amounts paid by Chevron until the Cancellation date for such costs of construction and acceleration and for the flow of gas under the Transmission Agreement.
    If, subsequent to the termination of the Transmission Agreement, export to Egypt resumes, the Transmission Agreement will be renewed, subject to and in accordance with the capacity which will be available in the transmission system at such time.

12) On February 15, 2021, all the preconditions for the entry of the Transmission Agreement into force were fulfilled.

13) Concurrently with the signing of the Transmission Agreement, Chevron, the Partnership, and the other Leviathan partners and Tamar partners signed a back-to-back services agreement, determining that the Leviathan partners and the Tamar partners will be entitled to transport gas (through Chevron) under the Transmission Agreement, and will also be responsible for fulfilling Chevron's undertakings under the Transmission Agreement, such that the Leviathan partners and the Tamar partners will be deemed to have been party to the Transmission Agreement in lieu of Chevron, each according to its share as set out in the capacity allocation agreement between the Leviathan partners and the Tamar partners. The services agreement further stipulates that the Base Capacity retained in the transmission system for Chevron, will be allocated between the Leviathan partners and the Tamar partners according to the rates set out in Section 8 above and in accordance with the order set out in the capacity allocation agreement. Notwithstanding the aforesaid, the Leviathan partners and the Tamar partners will bear a capacity fee in a fixed ratio of 69% (the Leviathan partners) and 31% (the Tamar partners), other than in the event that a party (the Leviathan partners or the Tamar partners, as the case may be) will have used the other party's share of available capacity.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

P. Directives for method of calculation of the royalty value at wellhead

A. In May 2020, the Director of Natural Resources at the Ministry of Energy released the final version of the directives for the calculation of the royalty value at the wellhead in accordance with Section 32(b) of the Petroleum Law, 1952 (hereinafter in this section - the “Directives"):

1) The Directives stipulate that the value of the royalty at the wellhead will be equal to 12.5% of the price of the sale to customers at the point of sale, net of essential costs for treatment, processing, and transportation of the oil actually incurred by the lease holder between the wellhead and the point of sale.
The expenses to be recognized for the purpose of calculating the royalty value at the wellhead are expenses actually incurred by the leaseholder between the wellhead and the point of sale set out below, provided that the Commissioner believes that they are they are essential for the sale of the oil: (1) the following capital expenses (capex): (a) costs for treatment and processing of the oil; (b) costs for transporting the oil up to the first point of connection point to the national transmission system; (2) operating expenses (opex) arising directly from the types of capital expenses.

2) The Commissioner will determine for each leaseholder, from time to time, specific directives for each lease, specifying the deductible expenses for calculating the royalty, according to the specific characteristics of the lease.

3) Expenses for assets will be recognized in such a way that the depreciation rate for the property, plant and equipment will be calculated according to the depletion method, starting from the date on which the fixed asset started to operate (meaning only when the fixed asset reached the location and condition required for its operation, and started to operate). Total depreciation expenses to be recognized will not exceed the cost of the fixed asset. Depreciation expenses for the property, plant and equipment will be recognized such that at the end of the life of the asset, the value of the asset will be zero. Depreciation expenses will be calculated by multiplying the amortized cost at the beginning of the year of the recognized part of the fixed asset determined in the specific directives, by the depreciation rate determined in accordance with the depletion method.
If an agreement is signed granting third parties an ownership right in the fixed asset or a right of use in the fixed asset, for or without consideration, or if an agreement is signed involving the receipt of payment from third parties for the transportation or treatment of the oil, the estimated value of the fixed asset will be adjusted in the year in which an economic value was created for the asset over and above the amortized cost of the relevant fixed asset as determined, taking into account depreciation expenses deducted for calculation of the royalty value at the wellhead. The estimate will be amended in the year in which the transaction in the relevant asset was made, in accordance with the “disposal principle”, while the leaseholder may be required to pay royalties to the State for this value, even if it did not generate income in that year.
The economic value for the purpose of adjusting the estimate will be limited to the amount recognized and depreciated for royalty purposes, for the fixed asset that was sold or the rights in use were transferred.

4) The Directives set out additional provisions, including a specification of the types of expenses that will not be recognized, the method for recognizing abandonment costs, and the method for addressing transactions that are affected by the existence of special relationships between the parties to the transaction.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

P. Directives for method of calculation of the royalty value at wellhead (cont.)

B. On September 6, 2020, the Director of Natural Resources at the Ministry of Energy released the Directives of the Commissioner of Petroleum Affairs for the calculation method of the royalty value at the wellhead - the Tamar lease. Below is a summary of the directives received for calculating the royalty value at the wellhead in the Tamar lease:

1) Capex that will be recognized for calculating the royalty value at the wellhead and the rate of recognition include: (a) capital cost for the transmission pipeline from the main manifold to the Tamar platform and from the platform to the receiving terminal in Ashdod will be recognized at a rate of 100%; (b) capital costs for the Tamar platform and the receiving terminal in Ashdod will be recognized at a rate of 82%; and (c) capital cost for the transmission pipeline from the Tamar platform up to the entrance to the receiving terminal in Ashdod will be recognized at a rate of 100%.

2) Operating expenses arising directly from the types specified in Section A above will be recognized at a rate of 82%: payroll expenses for work at the platform and the receiving terminal; maintenance and repair expenses; expenses for travel and transportation to the platform; expenses for food for workers at the platform and the receiving terminal; expenses for guarding and security at the Tamar platform and the receiving terminal; expenses for professional and engineering consultation; insurance expenses.

3) If the contract sale price includes a component of a transmission tariff paid to INGL, all of the transmission expenses paid by the leaseholder will be recognized.

4) Decommissioning costs will be recognized for calculation of the royalty according to the provisions set out in the general directives, provided that a cumulative quantity of at least 170 BCM was produced from the Tamar lease and the abandonment plan has been approved by the Commissioner.

Q. Taxation of Profits and Natural Resources Law, 2011

A. In April 2011, the Knesset passed the Profits and Natural Resources Tax Law, 2011 (hereinafter - the “Law"). Implementation of the Law resulted in a change in the tax regulations applicable to the Partnership, including the introduction of the oil and gas profits levy in accordance with the law and elimination of the depletion deduction. The law includes transitional provisions for producing projects or projects that started production before 2014.

The main provisions of the law are as follows:

Introduction of the oil and gas profits levy at the rate set out below. The rate of the levy is based on the recovery factor (the “R Factor”), according to the ratio between the net aggregate revenues from the project and the aggregate investments as defined in the Law. The minimum rate of the levy will be 20% if the R Factor is 1.5, and will increase progressively up to a maximum rate, once the ratio has reached 2.3. The maximum levy is 50% less the multiple of 0.64 in the difference between the corporate tax rate set out in Section 126 of the Income Tax Ordinance, 1961 for each tax year and the 18% tax rate. In accordance with the corporate tax rate in 2020, the maximum rate is 46.8%.
Additional provisions were also determined regarding the levy, among other things, the levy will be recognized as an expense for the purpose of calculating income tax; the levy limits will not include transmission facilities used for export; the levy will be calculated and imposed for each lease separately (ring fencing); the charge of a recipient

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

Q. Taxation of Profits and Natural Resources Law, 2011 (cont.)

A. (cont.)
A payment from a Petroleum Interest Holder, calculated, inter alia, as a percentage of the oil produced (hereinafter - the "Derivative Payment"), in accordance with the amount of the Derivative Payment received, and the amount of the levy attributed to the recipient of the Derivative Payment will be deducted from the amount of the levy due from the Petroleum Interest Holder.
In addition, the Law prescribes regulations for consolidation or separation of oil projects in respect of the Law.
The provisions regarding the levy on oil and gas profits are effective as from April 10, 2011, and they include transitional provisions for projects that began commercial production before January 1, 2014.

B. The provisions of this law will apply to a project that commenced commercial production before the effective date, with the following changes:

- If a levy is imposed on a project in the tax year of the effective date, the rate of the levy in that tax year will be half of the rate of the levy that would have been imposed on the oil profits were it not for the provisions of this subsection, and no more than 10%;

- If the R Factor in the tax year of the effective date exceeds 1.5, rules were determined for calculation of the R Factor for each subsequent tax year;

- The rate of levy imposed on the project's oil profits in each of the tax years from 2012 through to 2015 will be equal to half of the rate of the levy that would be imposed on the oil profits without the provisions of this section.

C. The following provisions will apply to a project that starts commercial production after the effective date but before January 1, 2014:

1) The minimum levy factor will be 2 instead of 1.5 and the maximum will be 2.8 instead of 2.3;

2) The annual accelerated depreciation rate for a deductible asset acquired in 2011-2013 will be 15% instead of 10%.

3) The law includes provisions for the taxation of oil partnerships as from 2011, see Section A above.

4) It is noted that disputes have arisen between the Assessing Officer for Large Enterprises (hereinafter - the "Assessing Officer") and the holders of rights in the Leviathan leases regarding the levy reports for the Leviathan leases for 2013-2015, related primarily to the data classification and quantification method in the levy reports for the Leviathan leases for these years. In October 2018, the parties reached agreements regarding the disputes, under a levy assessment agreement for 2013-2015, which, in October 2018, was validated as a judgment by the Tel Aviv District Court.
In addition, in December 2019, the Assessing Officer and the holders of the rights signed a levy assessment agreement for the 2016-2017 levy reports. In October 2021, an assessment agreement was signed with respect to the levy assessment imposed on Leviathan for 2018. It is further noted that, as at the approval date of the financial statements, several interpretive disputes are being heard in the context of objection proceedings with the Assessing Officer regarding implementation of the provisions of Law in the 2019 levy reports of the Leviathan leases. Including recognition of payments made by the holders of the rights to the leases to enable the export of natural gas to Egypt.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

Q. Taxation of Profits and Natural Resources Law, 2011 (cont.)

C. (cont.)

4) (cont.)
It should be noted that the coefficient of the levy in the Leviathan leases as at the date of the financial statements is lower than 1.5, and that the effect of the assessments and the disputes set out above may be reflected in calculation of a higher levy. However, even if the position of the Assessing Officer is accepted in full, it is not expected, at present, to result in a coefficient higher than 1.5 from which actual collection of the levy will start.
Moreover, the holders of rights in the Leviathan Project reached agreements with the Tax Authority on the consolidation of the Leviathan leases (north and south) as a single oil project for purposes of the Law and the reports thereunder, in accordance with Section 8(A) of the Law.

5) It is noted that disputes have arisen between the Assessing Officer and the holders of rights in the Tamar Project regarding the 2013-2019 levy reports of the Tamar Project, which refer mainly to recording of notional revenues and the method for recognition and classification of exploration and construction investments in the Tamar SW Reservoir and construction payments in the Tamar SW reservoirs (hereinafter jointly - the “Disputed Issues”). It is noted that the Dispute Issues relating to the 2013-2019 levy reports are adjudicated between the parties in the context of an appeal before the Tel Aviv District Court, whereas the Disputed Issues relating to the 2018 levy report are adjudicated in the context of an administrative objection before the Assessing Officer. It should clarified that if it is there is a peremptory ruling accepting the position of the Tax Authority regarding the disputes in full, the Partnership may incur an additional liability to pay the oil and gas profits levy to the Tax Authority in an amount estimated at USD 35 million as at December 31, 2021.

The Partnership believes, based on the opinion of its legal counsel regarding the Disputed Issues, that it is more likely than not that Partnership’s claims with respect to most of the Disputed Issues will be accepted.

6) It should be noted that disputes have arisen between the Assessing Officer and the holders of rights in the Ashkelon project and the Noa project (hereinafter jointly - the “Yam Tethys Projects”) regarding the 2018-2019 levy reports of the Yam Tethys Projects. It is further noted that the disputes for the 2018-2019 levy reports are being heard at the Tel-Aviv District Court. The share of the Partnership in the disputed amounts is USD 1.6 million.

7) O November 10, 2021 the Knesset passed the second and third readings of Amendment No. 3 to the Taxation of Profits from Natural Resources Law, 2021 (hereinafter - the “Amendment to the Law”), whereby, among other things, in case of disagreement the payment of 75% of the disputed amounts payable in respect of the levy on oil and gas profits will be brought forward subject to the Tax Assessment Officer’s decision as to the objection filed (prior to completion of any judicial proceedings). In accordance with the amendment to the law, it is possible that there will be an advance payment of 75% of the disputed amounts as set out above.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

Q. Taxation of Profits and Natural Resources Law, 2011 (cont.)

C. (cont.)

8) Taxation of Profits from Natural Resources Regulations:

On December 2, 2020, the Ministry of Finance published the draft Taxation of Profits from Natural Resources Regulations (Advance Payments on the Petroleum Profit Levy), 2020 (hereinafter in this section - the “Regulations of Advance Payments”). under which the matter of advance payments to be made by holders of petroleum rights in a petroleum venture, including method of calculating such advances, payment dates and reporting thereof.

The Advance Regulations were legislated under Sections 10(B) and 51 of the Law, and their purpose is to determine the advance payments to be made by the holders of oil rights in an oil project. The Regulations provides mainly a method for calculation of advance payments, payment dates and reporting of payments.

In 2020 and 2021, the Partnership paid advances for the oil profit levy in a total amount of USD 37.4 million, for its rights in the Tamar Project. According to the Partnership’s estimation and appraisals, based on the existing disputes with the Tax Authority, the Partnership recorded in 2021 expenses for the oil and gas profit levy in the amount of USD 43.8 million.

R. Details of income tax regulations and the main arrangements

1. The Partnership received approval from the Tax Authority for the Income Tax Regulations (Rules for Calculation of Tax on the Holding and Sale of Participation Units in an Oil Exploration Partnership), 1988 (hereinafter - the “Participation Units’ Regulations”, or the “Regulations”). In September 2021, an amendment to the Income Tax Regulations was published in the Official Gazette, according to which, as from the 2022 tax year, the tax regime applicable to the Partnership will be amended, such that it will be taxed as a company for its taxable income (with deductible losses permitted for the Partnership itself, subject to the tax laws, without attribution to holders of the participation units). Following this amendment, as from the 2022 tax year, the holders of participation units will be subject to a tax regime with respect to profit distribution by the Partnership, in the same way as the taxation applicable to shareholders in the Company for distribution of dividends (the two-stage method).

   It should be noted that, in view of the amendment, up to and including the 2021 tax year, accounting with the holders of participation units and reporting for the Partnership’s taxable income will remain unchanged, as explained below.

2. Up to December 31, 2021, the Partnership operated as a "transparent" entity for tax purposes, in accordance with the provisions of the Income Tax Ordinance (New Version), 1961 (hereinafter - the "Income Tax Ordinance") and the Taxation of Profits from Natural Resources Law, 2011 (hereinafter - the "Law"), in other words, the Partnership’s taxable income and losses for tax purposes were attributed to the holders of the units who are "Eligible Holders", as defined in the Participation Units Regulations, according to the rate of their holding in the Partnership. "Eligible Holder" is defined in the Participation Units Regulations as any party holding participation units at the end of the day on December 31 of the tax year. In accordance with Section 19 of the Law (hereinafter - "Section 19"), for the purpose of Section 63(A)(1) of the Ordinance, the share of each partner in the tax year will be calculated on the basis of the Partnership’s taxable income or its losses. Since the partners cover the taxes on the Partnership's income and expenses, the financial statements of the Partnership did not include current taxes on income.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

R. Details of income tax regulations and the main arrangements (cont.)

3. Following the approval of the amendment to the regulations, the share of the Company's shareholders in the deferred tax liability increased in the amount of NIS 111 million against an expense under tax expenses in the statement of income. The updated amount of the liability is for temporary differences arising up to the date of the financial statements, most of which are due to differences between amortization and depreciation on oil and gas assets (including for disposal of oil and gas assets) recognized for tax purposes, and amortization and depreciation recognized in the financial statements.
It should be noted that as from January 1, 2022 onwards, the Partnership will recognize current tax expenses in the statement of comprehensive income, in addition to the said deferred tax expenses.

4. Under the provisions of Section 19 to the law, the general partner is required to file a report with the assessing officer on the Partnership's taxable income and pay the tax arising from the report, on account of the tax due from Partnership in the tax year of the report (meaning, on account of the tax due from the holders of the participation units, as at December 31 of each tax year), according to the share of the eligible holders in the Partnership who are an association of individuals and the share of the eligible holders in the Partnership who are individuals. It should be noted that the general partner is required to pay tax advances calculated at the tax rates applicable to companies (in the 2019 to 2021, 23%). For information about the amendment to the tax regulations applicable to the Partnership as from 2022, see Section 1 above.

5. Difficulties and queries of interpretation arose from implementation of the provisions of Section 19 of the law, due to the difference in the tax rates applicable to companies and individuals, which were discussed in several legal proceedings.

   On June 28, 2021, the Tel Aviv District Court handed down judgment, the main rulings of which are as follows:

   A) 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.
   B) For 2017 onwards (in respect of which the Partnership paid tax advances in accordance with the corporate tax rate, following which a "balancing" profit distribution was carried out, taking into account the different tax rates applicable to companies or individuals - see Section C below), it is the Partnership which will pay the tax assessment differences, if any; however, there will be no balancing payments in respect thereof. Regarding the manner of paying for the assessment differences and balancing in the future, according to the judgment, the Partnership will continue to act in accordance with the arrangement, as it has done since the tax year 2017; the judgment thus provides certainty to all holders of the Partnership regarding payments for future assessment and differences.

   In addition, on July 1, 2021, several holders filed a clarification application 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.
   The Partnership believes that it is required to pay the corporate holders balancing payments for the above period, amounting to USD 14.9 million as at the date of the financial statements, for which there is an adequate provision in the Partnership's financial statements (the Group's share in the provision amounts to USD 10 million).

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

R. Details of income tax regulations and the main arrangements (cont.)

5. (cont.)
On December 19, 2021, the Partnership filed a motion to appoint a trustee and to approve an outline for payment to eligible holders in accordance with the judgment, and subsequent to February 14, 2022, the court accepted the motion; on March 22, 2022, the court ordered the appointment of Reznick Paz Nevo Trusts Ltd. as the trustee for executing payment under the judgment.

6. In December 2017, the Partnership and the Assessing Officer for Large Enterprises signed an agreement for collection of tax on account of the tax owed by the unit holders for the estimated taxable income from a business of the Partnership in 2017 (hereinafter - the "2017 Tax Agreement"). Under the agreement, the Partnership paid additional tax payments according to the maximum tax rate applicable to individuals for the estimated taxable income. This is by way of withholding tax from balancing distributions to holders of participation units (tax was withheld from distributions to holders of participation units who are individuals, while no tax was withheld from distributions to holders of participation units that are companies). In the 2018 to 2021 tax years, the Partnership acted in the same manner as under the 2017 Tax Agreement, and for the estimated taxable income of the Partnership for tax purposes for these tax years and payments made by the Partnership in this respect in January of the following tax year.

   It should be clarified that the estimated taxable income, calculated towards the end of the tax year for each of the years 2017-2021, was based on estimates and assessments and on unaudited financial data.

S. Oil and gas production in the North Sea through Ithaca

1. Ithaca operates in oil and gas production in the North Sea. Ithaca owns various rates of rights in producing and non-producing assets, mainly in the GSA, Captain, and other regions, some of which its serves as operator.

2. GSA Project

   The GSA Project includes licenses for fields with three producing reservoirs: Stella, Harrier, and Vorlich, and additional assets: Courageous, Kessog, and Abigail, which, as at the reporting date are not producing. In all the oil assets in the GSA Project, with the exception of, Vorlich West, exploration and appraisal drillings were carried out by third parties, and petroleum reservoirs were discovered.
   In the reporting period, Ithaca applied for approval of its development plan for the Abigail Reservoir.

   Ithaca pays royalties at a rate of 3.34% of revenues from the sale of oil and gas from the GSA Project to the original holders of the license.

3. Captain Area

   The producing field covers an area of 85 sq. km. and contains heavy oil and natural gas. In November 2018, the partners in the Captain Field obtained OGA approval for the field development plans referring to development based on enhanced oil recovery (EOR).

   The development plan will be implemented in two stages and it mainly includes a commitment to drill another seven wells, and inject polymers in the field to increase the recoverability of the oil. Ithaca completed Stage A of the development plan, which included drilling of five producing wells and two polymer injection facilities in Area A of the field. In the reporting period, Ithaca received the local gas and oil authority's approval and began Phase 2 of the Captain Reservoir's development. The second phase includes drilling up to 10 additional wells, laying underwater pipelines, and expanding the production facility.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

S. Oil and gas production in the North Sea through Ithaca (cont.)

4. In August 2021, Ithaca began exploration in the Fotla Reservoir, located about 12 kilometers from the North platform. Ithaca holds 60% of the rights to the reservoir, and also serves as its operator. In August and September 2021, following indications of petroleum signs in the well, the partners in the oil asset decided to increase the drilling site's budget by GBP 13.15 million (NIS 55 million) (100%, of which Ithaca's share amounts to GBP 7.89 million (NIS 33 million), for the purpose of drilling appraisal wells and conducting other tests. Following the results of the various tests conducted in the drilling site during September 2021, including log data analysis and fluid and pressure samples, the Company is satisfied about the existence of oil and natural gas in the drilling site. According to the initial assessments by Ithaca and the Company, the quantity of oil and natural gas discovered at the drilling site justifies estimating the total quantity of petroleum resources in the oil asset, as well as carrying out an assessment and estimation of the amounts of oil and natural gas that can be extracted in an economically viable manner.

5. In August 2021, a decision was made to drill an exploration well in the Jade South Reservoir. The total drilling cost (100%) in the event of success was estimated at GBP 64-102 million, with Ithaca's share (19.93%) amounting to GBP 12.7-20.3 million. In December 2021, after exploration well, the operator informed Ithaca that the stage of collecting information had ended. According to initial estimates by the operator and Ithaca and based on the information provided by the operator to Ithaca, the quantity of natural gas discovered at the drilling site justifies an estimation of the total quantity of petroleum resources in the oil asset, and an assessment and evaluation of the quantity of natural gas that can be economically produced. In view of the above, the Jade South drilling is a natural gas discovery.

6. On September 17, 2021, Ithaca entered into an agreement to increase the rights in the Alba Reservoir by purchasing further 13.3% in the reservoir, such that subsequent to the completion of the transaction Ithaca, which serves as the reservoir's operator, shall hold 36.7% in the reservoir. The transaction is made without payment of consideration by Ithaca (consideration reserve), such that on the one hand Ithaca will assume all the seller's obligations in connection with the reservoir, including bearing any costs for decommissioning and abandoning the reservoir in return for the rights, and on the other hand, Ithaca will receive from the seller an amount of GBP 47.1 million (subject to generally accepted adjustments on closing), which reflect the parties' estimates as to the costs of sealing and abandoning the reservoir when production there from ends, taking into account other rights of the seller in connection with the reservoir. The effective date for the purchase of the additional rights as per the agreement is January 1, 2021. The transaction was completed in December 2021. As a result of completion of the transaction, Ithaca recorded a profit of USD 10 million net of any tax effect (USD 6 million net of any tax effect).

7. On March 16, 2020, Total E&P North Sea UK Ltd. the operator in the Isabella oil asset in the area of the UK Continental Shelf in the North Sea region, announced that in the exploratory drilling, indications of petroleum were discovered in the target layers of the well. The operator announced that due to high pressure and temperature, at this stage, production tests could not be performed using the existing equipment. Ithaca was informed that the operator intends to consider various alternatives for production tests at the oil asset at a later date. It should be noted that, under the terms of Ithaca's transaction regarding the oil asset, Ithaca does not bear expenses for its share in the oil asset (10%).

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

S. Oil and gas production in the North Sea through Ithaca (cont.)

8. Information about Ithaca's reserves

According to a report prepared by NSAI for Ithaca, which was prepared in accordance with the principles of the Petroleum Resources Management System (SPE-PRMS) as at December 31, 2021, the oil reserves, natural gas, and NGL in the oil assets included in the assets (Ithaca's share only), are as set out below:

	Ithaca reserves				
Reserve category	**Light oil**	**Heavy oil**	**Natural gas (Natural gas)**	**NGL**	**Total**
	(Mbbl)	**(Mbbl)**	**(MMcf)**	**(net Mbbl)**	**(MBOE) *)**
Total proved reserves (1P)	59,450	19,341	199,217	5,906	119,044
Total proved + probable reserves (2P)	88,2669	34,231	301,081	9,063	183,561
Total Proved + Probable + Possible Reserves (3P)	122,090	49,874	415,781	12,725	256,376

(*) Equivalent to thousands of barrels of oil

These estimates of the natural gas reserves, NGL, and contingent resources in Ithaca's rights in reservoirs, are based, among other things, on geological, geophysical and other information. These estimates are the professional estimates and assumptions only of NSAI, for which there is no certainty. The estimates for actual quantities of oil, natural gas and condensate produced may differ 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 market and/or actual performance of the reservoir. 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 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

S. Oil and gas production in the North Sea through Ithaca (cont.)

9. Assessment of the recoverable amount of oil and gas assets in the North Sea region

A) 2019

As at December 31, 2019, the Group included a provision for impairment of oil and gas assets in the North Sea region (mainly for the GSA asset) in the amount of USD 199 million (NIS 688 million). The impairment was due, among other things, to a decrease in reserves and forecasts for oil and gas prices. The recoverable amount was determined as the fair value of a cash-generating unit, net of selling costs. The fair value was calculated by an independent outside appraiser, based on the future cash flow expected to arise from the sale of oil and gas, less selling costs and taking into account the assumptions that a reasonable market participant uses to determine fair value. The cash flows were discounted at a rate of 9% after tax.

B) 2020

Further to Note 1B above regarding the spread of Covid-19, including regarding the decrease in oil and gas prices; and in view of the material effect these prices have on the fair value of the oil and gas assets in the North Sea, the Group assessed the recoverable amount of oil and gas assets in the North Sea area as at March 31, 2020. As a result of the assessment, in the first quarter of 2020 the Group recognized a provision for impairment of oil and gas assets in the North Sea region in the amount of USD 751 million (NIS 2.6 billion) (after the effect of tax - USD 451 million (NIS 1.6 billion)). The recoverable amount was determined as the fair value of each cash-generating unit, net of selling costs.
In addition, the Company, through an independent outside appraiser, examined the impairment of goodwill attributable to the item "Oil and gas development and production in the North Sea" in its entirety. The recoverable amount of the unit was calculated as the fair value of the investment in oil and gas production operations in the North Sea, net of selling costs, and it is estimated as at March 31, 2020, in the amount of USD 1,200 million. As a result of the assessment, the Group recognized impairment of goodwill attributable to these operations in the amount of USD 216 million (NIS 770 million).
The valuations were performed by an independent outside appraiser using the cash flow discounting method, based on a discount rate after tax of 10.5%, future Brent oil prices of USD 35 per barrel in 2020, USD 45 per barrel in 2021, and reaching USD 68 per barrel in 2024, and future gas prices of 24 pennies/therm in 2020, 33 penny per thermal unit in 2021, and reaching 43 pennies/therm in 2024.
As of December 31, 2020, following the recovery in the price of oil and gas and the increase in the quantity of reserves, the Group, through an independent external appraiser, 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 the reversal of the provision for impairment (before tax) in the amount of USD 452 million (NIS 1,453 million). It should be noted that the amount is after offsetting the provision for impairment of certain assets following adjustment costs for their disposal amounting to USD 25 million.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

S. Oil and gas production in the North Sea through Ithaca (cont.)

9. Assessment of the recoverable amount of oil and gas assets in the North Sea region (cont.)

B) 2020 (cont.)

The valuation was performed by an independent external appraiser using the discounted cash flow method, based on a discount rate after tax of 9.75% of future Brent oil prices of 52 USD/barrel in 2021, 57 USD/barrel in 2022, 61 USD/barrel in 2023, and reaching 68 USD/barrel in 2025, and future gas prices of 47 pennies/therm in 2021, 44 pennies/therm in 2022, 43 pennies/therm in 2023, and reaching 44 pennies/therm in 2025.

In addition, as at December 31, 2020, the Company, through an independent outside appraiser, examined the need for a provision for impairment of goodwill attributable to the item "Oil and gas development and production in the North Sea" in its entirety. The recoverable amount of the unit was calculated as the fair value of the investment in oil and gas production operations in the North Sea, net of selling costs, and it is estimated as at December 31, 2020 in the amount of USD 1,878 million, which significantly exceeds the carrying amount of the unit (among other things, due to the increase in reserves in gas reservoirs for which no amortization has been made in the past, an increase in future prices mainly in the short term, and in view of impairment of goodwill recognized in previous quarters as aforesaid, and which is non-recoverable). The valuation was made using a discount rate after tax of 9.75% and based on assumptions for future Brent oil prices and future gas prices as set out above.

C) 2021

As of 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 external appraiser, assessed the need to reverse the impairment of oil and gas development and production assets in the North Sea region. As a result, in the second quarter of 2021, the Group recognized an income in respect of the reversal of the provision for impairment (before tax) in the amount of approximately USD 102 million (approximately NIS 333 million) (approximately USD 61 million (approximately NIS 199 million) after tax).

The valuation was performed by an independent external appraiser using the discounted cash flow method, based on a discount rate after tax of 9.75% of future Brent oil prices of 65 USD/barrel in 2021, 65 USD/barrel in 2022, 66 USD/barrel in 2023, and reaching 69 USD/barrel in 2025, and future 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.

In addition, following an additional increase in oil and gas prices, the Group, through an independent external appraiser, assessed the need to reverse the impairment of oil and gas development and production assets in the North Sea region, as of September 30, 2021. As a result, the Group recognized income for reversal of the provision for impairment in the amount of USD 147 million before tax (NIS 475 million) (approximately USD 88 million (NIS 285 million) after tax).

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

S. Oil and gas production in the North Sea through Ithaca (cont.)

9. Assessment of the recoverable amount of oil and gas assets in the North Sea region (cont.)

C) 2021 (cont.)

The valuation was performed by an independent external appraiser using the discounted cash flow method, based on a discount rate after tax of 9.75% of future Brent oil prices of USD 70 per barrel in 2021, 70 USD/barrel in 2022, 69 USD/barrel in 2023, and reaching 71 USD/barrel in 2025, and future gas prices of 204 pennies/therm in 2021, 119 pennies/therm in 2022, 71 pennies/therm in 2023, and reaching 65 pennies/therm in 2025.

As of December 31, 2021, an additional external valuation of the recoverable amount of development and production assets in the North Sea region was conducted, through an external appraiser. As a result, the Group recognized income for reversal of the provision for impairment of oil and gas development and production assets in the North Sea in the amount of USD 28 million before tax (NIS 87 million) (approximately USD 17 million (NIS 52 million) after tax).

The valuation was performed by an independent external appraiser using the discounted cash flow method, based on a discount rate after tax of 9.5% of future Brent oil prices of USD 76 per barrel in 2022, 69 USD/barrel in 2023, 71 USD/barrel in 2024, and reaching 74 USD/barrel in 2026, and future gas prices of 164 pennies/therm in 2022, 99 pennies/therm in 2023, 68 pennies/therm in 2024, and reaching 56 pennies/therm in 2026.

As at December 31, 2021, the Group, through an outside independent appraiser, assessed the need for a provision for goodwill impairment attributable to oil and gas development and production in the North Sea, in its entirety. The recoverable amount of the unit was calculated as the fair value of the investment in oil and gas production operations in the North Sea, net of selling costs, and it is estimated as at December 31, 2021 in the amount of USD 3,150 million (compared to a total of 1,878 as at December 31, 2020), which is significantly higher than the carrying amount of the unit. The appraisal was based on the assumptions used by the Group in assessing the recoverable amount of the oil and gas assets in the North Sea as set out above.

The valuations are classified at Level 3 on the fair value hierarchy.

NOTE 12 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

S. Oil and gas production in the North Sea through Ithaca (cont.)

10. Refinancing in Ithaca

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 (hereinafter - 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 (hereinafter - the “Debenture Series”). The blended interest rate of the total financing (the RBL Facility, assuming full utilization of the facility for withdrawal and excluding the guarantee and the addition of the debentures) is 5.2%. For information about the RBL facility and the debenture series, see Notes 17C and 18D3, respectively. It is noted that as at December 31, 2021, Ithaca’s outstanding debt for the RBL Facility is USD 350 million.
Shortly after completion of the refinancing, Ithaca repaid the Company a total of USD 250 million on account of the shareholder 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.
Following the refinancing of RBL and the previous debentures, in the reporting period, the Group recognized non-recurring expenses in the amount of approximately USD 56 million (approximately USD 36 million, net of tax). This amount also includes expenses associated with the early redemption of the debentures.

T. Exploration and development of oil and gas in the Gulf of Mexico

The Group holds, through a wholly owned foreign subsidiary, 75% of the rights in oil and gas assets in the Gulf of Mexico, United States. At the beginning of September 2018, exploration drilling started to the deep targets of the Tau prospect in the SS-351 license in the Gulf of Mexico. The drilling did not penetrate layers containing hydrocarbons; however, hydrocarbon shows were encountered. The Operator did not announce a discovery.

In view of the complex geomagnetic conditions in the drilling and the contractual obligations of the drilling rig to another operator, in May 2019, the Operator recommended that the drilling should be sealed and abandoned in a manner that would allow for re-entry at a later stage. According to the Operator, the information collected in the drilling confirms its geological, geophysical, and engineering models, and reinforces the Operator's position regarding the potential in the deep layers that have not yet been drilled in the prospect. The Group's share in the cost of drilling cost up to the temporary sealing amounted to USD 72 million. In view of the uncertainties created and the lack of clarity regarding the plan for continued drilling (which grew in 2020), the Group's management decided, at this stage, to include a provision of USD 53 million (NIS 182 million) for impairment, taking into consideration the insurance proceeds that were received in 2020.

NOTE 13 - PROPERTY, PLANT, AND EQUIPMENT

A. Composition and changes

2021

	Land, buildings and leasehold improvements	vehicles and office equipment	Total
		NIS millions	
Cost			
Balance as at January 1, 2021	51	79	130
Additions during the year	-	69	69
Exchange differences on translation of foreign operations	-	(16)	(16)
Balance as at December 31, 2021	51	132	183
Accumulated depreciation			
Balance as at January 1, 2021	5	41	46
Depreciation	1	18	19
Exchange differences on translation of foreign operations	-	(12)	(12)
Balance as at December 31, 2021	6	47	53
Depreciated cost as at December 31, 2021	45	85	130

2020

	Land, buildings and leasehold improvements	Machines, facilities, vehicles and office equipment	Pumps, tanks and station equipment	Total
		NIS millions		
Cost				
Balance as at January 1, 2020	1,485	1,661	1,041	4,187
Additions during the year	14	-	23	37
Exchange differences on translation of foreign operations	-	(7)	-	(7)
Deconsolidation *)	(1,132)	(1,555)	(633)	(3,320)
Reclassification to assets held for sale	(7)	-	-	(7)
Reclassification to investment property	(1)	-	-	(1)
Disposals during the year	(308)	(20)	(431)	(759)
Balance as at December 31, 2020	51	79	-	130
Accumulated depreciation				
Balance as at January 1, 2020	565	624	748	1,937
Depreciation	21	32	20	73
Deconsolidation *)	(521)	(597)	(521)	(1,639)
Exchange differences on translation of foreign operations	-	(1)	-	(1)
Reclassification to assets held for sale	(7)			
Disposals during the year	(53)	(17)	(247)	(317)
Balance as at December 31, 2020	5	41	-	46
Depreciated cost as at December 31, 2020	46	38	-	84

*) Mainly due to the sale of control of Delek Israel and its subsidiaries, see Note 10H.

B. For information about liens, see Note 24.

NOTE 14 - GOODWILL AND OTHER INTANGIBLE ASSETS

A. Composition:

	Goodwill	Marketing, brands, concessions, and customer portfolios	Total
	NIS millions		
Balance as at January 1, 2020	4,174	7	4,181
Amortization recognized during the year	(3)	-	(3)
Impairment	(848)	-	(848)
Deconsolidation *)	(325)	(7)	(332)
Adjustments from translation of financial statements of foreign operations	(200)	-	(200)
Balance as at December 31, 2020	2,798	-	2,798
Adjustments from translation of financial statements of foreign operations	(91)	-	(91)
Balance as at December 31, 2021	2,707	-	2,707

(*) Mainly for the sale of control in Delek Israel and its subsidiaries, see Note 10H.

B. Testing for goodwill impairment

To assess impairment of goodwill, the goodwill was attributed to operating segments, as follows:

	December 31	
	2021	2020
	NIS millions	
Oil and gas exploration and production in Israel and its surroundings (1)	320	330
Oil and gas exploration and production in the North Sea (2)	2,387	2,468
Total	2,707	2,798

(1) As at December 31, 2021, goodwill attributable to oil and gas exploration and production in Israel and its surroundings amounted to NIS 320 million (as at December 31, 2020, NIS 330 million). Goodwill was created by the increase in control in Avner Oil Exploration Partnership. The balance as at December 31, 2020 is after the impairment of goodwill attributable to the oil and gas assets in the Tamar Project; see Notes 12C.c As; as at December 31, 2021, the Company assessed the recoverable amount of the gas and oil exploration and production operations in Israel and its surroundings, based on the value of the operation, arising mainly from the share price of NewMed Energy. In view of the assessment, the Group was not required to recognize goodwill impairment.

(2) Goodwill attributable to oil and gas exploration and production in the North Sea amounts to USD 768 million as at December 2021 and 2020 (NIS 2,387 million as at December 31, 2021, and NIS 2,468 million as at December 31, 2020). Most of the goodwill arose on Ithaca's acquisition of the oil and gas operations of CNSL in the North Sea in 2019. For information about the assessment for impairment of goodwill in 2021 and 2020 and the provision for impairment that was recorded in 2020, see Note 12S.

NOTE 15 - TRADE PAYABLES

	December 31	
	2021	2020
	NIS millions	
Mainly open accounts -		
In or linked to foreign currency (mainly USD)	702	315
In NIS	-	2
	702	317

The trade payables are non-interest bearing.

NOTE 16 - OTHER PAYABLES

	December 31	
	2021	2020
	NIS millions	
Institutions	35	91
Prepaid income, advance payments from customers, and expenses payable	775	471
Salaries and incidentals	13	10
Related parties	2	23
Undertaking to dispose of assets (see Note 12G3)	388	219
Payables for joint ventures in oil and gas	336	108
Interest payable	71	152
Dividend to non-controlling interests	142	53
Others	41	66
	1,824	1,193

NOTE 17 - LOANS FROM BANKS AND OTHERS

A. Composition and terms:

	Annual Interest rate	December 31 2021	December 31 2020
	%	NIS millions	
Loans from banks:			
In US dollars (see C (a) below)	3.6	1,048	2,272
Linked to the CPI - see C(b) below)	7.0	103	113
		1,151	2,385
Less - current maturities		-	(138)
		1,151	2,247

*) The rate presented is a weighted average as at December 31, 2021.

B. Settlement dates:

	December 31 2021
	NIS millions
Third year	103
Fifth year and onwards	1,048
	1,151

C. Additional information

(A) As at December 31, 2021, the balance of outstanding loans is mainly with respect to the reserve-based loan (RBL). As set out in Note 12R(10), 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 (hereinafter - the “RBL Facility”) in the amount of USD 1.225 billion, which will be repaid by 2026. 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 forecast prices of oil and gas. It is noted that as at December 31, 2021, Ithaca’s outstanding debt for the RBL Facility is USD 350 million. Excluding letters of credit (LC) provided to secure Ithaca's liabilities for disposal of assets).

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.

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 pledges and guarantees and restrictions on the distribution of a dividend, as set out below.

- All payments for which Ithaca is liable under the terms and conditions 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 from the earlier of the following: (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 and conditions 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.

NOTE 17 - LOANS FROM BANKS AND OTHERS (cont.)

C. Additional information (cont.)

(A) (cont.)
Under the terms and conditions 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 applied 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 guaranteed 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 guaranteed 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.

As at December 31, 2021, Ithaca complied with all said financial covenants.

Raising costs of the RBL Facility amounted to USD 13.6 million. The raising costs were offset, at the raising date, from the RBL balance and amortized to profit or loss across the loan term.

(B) In January 2021, the Company, together with Fattal, received a loan of NIS 145 million from a third party for refinancing a real estate property in Herzliya (see also Note 11A), (the Company's share is NIS 103 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 increase in the CPI. 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 alone, it will constitute grounds for immediate repayment with respect to the other borrower as well.

D. For information about other collateral, see Note 24.

NOTE 18 - OTHER DEBENTURES AND CONVERTIBLE DEBENTURES

A. Composition of non-convertible debentures:

	Weighted interest rate as at December 31	December 31	
	2021	2021	2020
	%	NIS millions	
CPI-linked debentures issued by the Company	5.5	350	1,055
Unlinked debentures issued by the Company	6.1	3,822	3,486
Debentures in or linked to the US dollar, issued by subsidiaries and partnerships	6.6	9,377	10,515
		13,549	15,056
Less - current maturities		(350)	(2,152)
Less - debentures classified as short term (*)		-	(3,656)
		13,199	9,248

(*) For further information, see Note 18.

B. Original repayment dates of debentures subsequent to the balance sheet date:

	December 31
	2021 (*)
	NIS millions
First year (current maturities)	350
Second year	2,946
Third year	975
Fourth year	2,833
Fifth year	2,174
Sixth year and onwards	4,271
	13,549

(*) For information about early repayment of Debentures (Series B18 and B19), and about the completion of the exchange tender offer for Debentures (Series B31) with Debentures (Series B34) subsequent to the balance sheet date, see Section 118D(15) below.

NOTE 18 - OTHER DEBENTURES AND CONVERTIBLE DEBENTURES (cont.)

C. Composition of convertible debentures and liabilities:

	Weighted interest rate as at December 31	December 31	
	2021	2021	2020
	%	NIS millions	
Conversion liability (in USD) (see Section H below)	6.5	154	159
Debentures convertible into Company shares (unlinked)	-	-	700
		154	859
Less - convertible debentures classified as short term (*)		-	(859)
		154	-

D. Main changes in debentures in 2021

(1) 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 issuance expenses). In November 2021, the Company issued - as part of a private placement - further NIS 66,493,000 par value in Series B35 Debentures by way of a series expansion, in consideration for NIS 71 million. The Debentures are not linked to the CPI and bear annual interest at rate of 7.2%. The debenture principal 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 NewMed Energy participation 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 charges 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 charge 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 and conditions set out in the deed of trust. As of December 31, 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 for two consecutive quarters according to its audited or reviewed consolidated financial statements, as applicable. As of December 31, 2021, the capital attributable to the Company's shareholders amounted to NIS 2,604 million.
   - As from the issuance date and up to the test date which took place at the publication date of the annual financial statements as of December 31, 2021, the Company's equity will not fall below - for two consecutive quarters - 12.5% of the total balance sheet in accordance with the Company's audited or reviewed (separate) financial statements, as the case may be. As from the test date, which took place at the publication date of the financial statements as of March 31, 2022, and at any subsequent test dates, the ratio will not fall below 15% for two consecutive quarters. As of December 31, 2021, this ratio amounts to 33%.
   - 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 of December 31, 2021 or 16% at the subsequent test dates, the rate of interest on the debentures will increase by 0.25%.

NOTE 18 - OTHER DEBENTURES AND CONVERTIBLE DEBENTURES (cont.)

D. Changes in debentures in 2021 (cont.)

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 the terms are 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.

(2) In October 2021, the Company issued 360,000,000 par value in Series B36 Debentures (a new series), in consideration for NIS 360 million (NIS 355 million, after issuance costs). Furthermore, in December 2021 the Company issued - as part of a private placement - further NIS 69,249,000 par value of the Series B36 Debentures in consideration for NIS 70 million. The Debentures are not linked to the CPI and bear annual interest at rate of 6.2%. The debenture principal will be repaid in five annual instalments starting on April 30, 2024. The interest will be paid in semi-annual instalments on April 30 and October 31, starting on April 30, 2022. To secure the repayment of Debentures (Series B36), the Group pledged NewMed Energy's 70,323,488 participation units. In addition, as part of the deed of trust for Debentures (Series B36), the Company undertook the following:

1. As long as the Debentures (Series B36) are not repaid in full, the Company will not create a floating charges 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 B36); 2) when creating the floating lien in favor of the third party, creation of a floating charge in favor of the holders of Debentures (Series B36), 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 B36), all in accordance with the terms and conditions set out in the deed of trust. As of December 31, 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 for two consecutive quarters according to its audited or reviewed consolidated financial statements, as applicable. As of December 31, 2021, the capital attributable to the Company's shareholders amounted to NIS 2,604 million.
   - As from the issuance date and up to the test date which took place at the publication date of the annual financial statements as of December 31, 2021, the Company's equity will not fall below - for two consecutive quarters - 12.5% of the total balance sheet in accordance with the Company's audited or reviewed (separate) financial statements, as the case may be. As from the test date, which took place at the publication date of the financial statements as of March 31, 2022, and at any subsequent test dates, the ratio will not fall below 15% for two consecutive quarters. As of December 31, 2021, this ratio amounts to 32%.
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 the terms are 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.

NOTE 18 - OTHER DEBENTURES AND CONVERTIBLE DEBENTURES (cont.)

D. Debentures issued in 2021 (cont.)

The deed of trust sets out grounds for immediate repayment of Debentures (Series B36), 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.

(3) As set out in Note 10F, in July 2021, as part of a refinancing process, Ithaca issued a debenture series in the amount of USD 625 million, the terms of which include the following:

(A) The principal of the debentures will be repaid within 5 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 the Ithaca Group serve as guarantors for the obligations set out in the debentures. Under the terms and conditions of the debentures, insolvency of any the guarantors will constitute grounds to call for immediate repayment of the debt.

(C) The terms and conditions 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.

(D) The debt raising costs totalled USD 7 million. The raising costs were offset, at the date of issue, from the outstanding debentures and amortized to profit and loss over the term to maturity.

As set out in Note 10F, the consideration from the debenture issuance was used to repay the previous debentures in the amount of USD 500 million
For information about the effect of refinancing on the Group’s operating results, see Note 10F.

(4) On December 19, 2021, under the third amendment to the deeds of trust of the old debentures, as set out in Section G below, the Company made advance principal and interest payments on Debentures (Series B22, B31, B33, and B34), which are repayable up to March 31, 2022 according to the original repayment schedule. The total repayment amounted to NIS 1.7 billion.
In addition, on November 23, 2021, Midroog published an updated rating report for the Debentures (Series B18, B19, B22, B31, B33, and B34), issued by the Company, upgrading the rating of the Company’s debentures to Baa3.il with stable outlook, and on December 30, 2021, Maalot S&P published an updated rating report, upgrading the rating of the Company’s debentures to BBB- with stable outlook. Following the upgrade of the rating, and in accordance with the deeds of trust of the old debentures, on December 31, 2021, the rate of nominal interest rate on the old debentures decreased by 0.25%.
Following the amendments to the debt terms, in the reporting year, the Company's financing expenses increased by NIS 11 million.

(5) Subsequent to the balance sheet date, in March 2022, the general meeting of debenture holders approved the fourth amendment to the deeds of trust of the old debentures. Under the fourth amendment, on March 7, 2022, the Company repaid the principal, interest, and linkage differences on Debentures (Series B18 and Series B19) ahead of their repayment date. The total amount of early repayment by the Company amounted to NIS 385 million. In addition, following the fourth amendment to the deed of trust on March 9, 2022, the Company completed an exchange tender offer in which NIS 832,921,104 par value Debentures (Series B31) (representing 37.72% of the total series as at that date) were exchanged for NIS 852,911,210 par value Debentures (Series B34), which have a longer maturity date.

NOTE 18 - OTHER DEBENTURES AND CONVERTIBLE DEBENTURES (cont.)

E. Further information about the deeds of trust with holders of Debentures (Series B18, B19, B31, and B34) (hereinafter, jointly - the "Old Debentures") shortly before the first amendment to the deeds of trust (for information about the amendments to the deeds of trust, see Section G below):

The deeds of trust of the Old Debentures include grounds or conditions conferring on their holders the right to call for immediate repayment of the debentures, including events that constitute material impairment or there was a material deterioration in the Company's business and there is a real concern that the Company will be unable to repay the debentures on their due date. In particular, it should be noted that, for Debentures (Series B31 and B34), which, as at December 31, 2021, have liabilities amounting to NIS 2.2 billion, and for Debentures (Series B34), with a balance amounting to NIS 0.4 million as at this date, the following terms were determined, among other things, including conferring on the debenture holders the right to call for immediate repayment:

(1) Minimum equity: If the Company's equity falls below NIS 2,400 million (Series B34, NIS 2,600 million) in accordance with the Company's audited or reviewed consolidated statements, as the case may be, in two consecutive quarters.

(2) Equity to balance sheet ratio If the Company's equity falls below 20% 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.

(3) Downgraded debenture rating: If the debenture rating is revised by the rating company such that the rating for the debenture is lower than the rating of BBB- of S&P Maalot, or an equivalent rating by another rating company that may replace the current rating company, for a period exceeding 21 business days.

(4) Cross default: If the Company's debt (including a number of cumulative debts, provided that they were called for immediate repayment at the same time or close to each other) towards the banks and/or financial institutions in an amount no less than NIS 150 million ("the Material Debt), has been called for immediate repayment, provided that the call for immediate repayment was not been lifted and/or the Company did not repay the Material Debt within 30 days from the date it was called for immediate repayment. In addition, if another debenture series issued by the Company and listed on the stock exchange is called for immediate repayment by the trustee of that series and/or according to the approval of the general meeting of debenture holders of that series, provided that the call for immediate payment was not lifted within 3 business days after receiving the trustee's notice of the call for immediate repayment.

(5) Events of change of control in the Company as defined in the deed of trust.

NOTE 18 - OTHER DEBENTURES AND CONVERTIBLE DEBENTURES (cont.)

F. In addition, the following conditions were set out for Debentures (Series B31, B33, and B34) (shortly before the amendment to the deed of trust; for information about the amendment, see Section G below):

1) The Company may distribute a dividend as defined in the Companies Law, subject to fulfillment of the following terms: (a) The distribution is in accordance with Section 302 of the Companies Law; (b) The Company does not violate the financial covenants set out in the deed of trust of Debentures (Series B34) prior to the distribution and due to the distribution; (c) The Company's equity will not fall below NIS 2,600 million (Series B34 in the amount of NIS 2,800 million) due to the distribution; (d) There are no grounds to call for immediate repayment of the Debentures (Series B34); (e) As at the approval date of the distribution, there is no material breach of the terms of the deed of trust.

2) Raising the interest rate following the downgrade, at a cumulative rate of up to 1%. Following the downgrade of the debentures in 2020, the annual interest rate for the series increased by 1%.

G. Amendments to the deeds of trust of the Old Debentures

Following the outbreak of the Covid-19 Crisis in 2020 (as set out in Note 1B above), and in order to prevent a situation where the Company will fail to fulfill the terms of the deeds of trust, the Company and the Bond Holders reached understandings regarding the amendment of some of the terms of the deeds of trust. On June 17, 2020, the general meeting of the holders of the Company's debenture series approved the first amendment to the deed of trust of each of the series of the Old Debentures, including (among others), the following provisions:

A. Raising capital - The Company's commitment to raise capital in an aggregate amount of NIS 500 million by April 8, 2021, in accordance with the following milestones: By July 31, 2020, raising of NIS 300 million, by December 15, 2020, raising of NIS 150 million, and by April 8, 2021, raising of NIS 50 million.

B. Negative pledge, prohibition of early payment and other liabilities: the Company's undertaking that in the stipulated period (as defined below), the Company and the private companies under its control:

1) Will not create liens, will not increase amounts secured by existing liens, and will not provide guarantees, other than liens and guarantees that are exempt as set out in the deed of trust.
2) Will not pay creditors on a date that is earlier that the date set out in the repayment schedule, other than payments that are exempt as set out in the deed of trust.
3) Will not transfer funds and/or assets to Ithaca companies and/or their creditors and will not assume liabilities and/or guarantees regarding Ithaca companies and/or their debts, other than payments that are exempt or that the Company is permitted to perform as set out in the deed of trust.

According to the amendment to deed of trust, "the record period" is the period from the approval date of the deed of trust until 7 days have elapsed from the publication date of the Company's immediate report on the expiration condition; (hereinafter - the "Expiration Condition") means that the following conditions were fulfilled at that date: (a) The Company's equity in the Company statements and the statements of the prior quarter exceed the amount set out in the amendment to the deed of trust; (b) the ratio of equity to the balance sheet in the Company's statements (separate) and in the statements of the prior quarter is not less than 22.5%; (c) the rating of the Company's debentures is at least A (according to Maalot).

NOTE 18 - OTHER DEBENTURES AND CONVERTIBLE DEBENTURES (cont.)

G. Amendment to deeds of trust (cont.)

C. Liens - The Company's undertaking to create a lien on the various assets of the Group, in favor of the Company's trustees and debenture holders, including the following assets: (A) Participation units conferring rights in the rights of the limited partner in NewMed Energy, representing 40% of NewMed Energy's share capital (in the fourth quarter of 2020, 40% of NewMed Energy's participation units were pledged in favor of the trustees). As from January 1, 2022, the Company may have the right to demand the release of some of the pledged participation units, in the amount and subject to the terms set out in the amendment to the deed of trust; (B) the shares and rights in most of the companies that are controlled by the Company; (C) the rights by virtue of the loans provided to the Company and/or companies under its control; (D) the assets of Delek Financial Investments Partnership that holds the Company's debentures and shares; (E) the Group's rights in connection with the Leviathan Overriding Royalty, up to the date of securitization against the overriding royalties. For further information about the completion of securitization of the Leviathan Overriding Royalty, see Note 12K above; (F) rights by virtue of loans provided to third parties.

D. Grounds for immediate repayment - the amendment to deed of trust states that:

1) For the period up to May 31, 2021, the trustee and the debenture holders will not call for immediate repayment of the debentures based on the established grounds, but only on the state of the Company's business as it was at the publication date of the amendment to the deed of trust and as at June 1, 2021 this restriction will no longer apply to the trustee of the debenture holders.

2) Up to the publication date of the statements for the first quarter of 2021, the grounds for immediate repayment included in the deeds of trust regarding low equity will not apply. For the statements as from the second quarter of 2021 and up to the financial statements for 2021, the debenture holders will have grounds to call for immediate repayment if the equity net of the additional capital from revaluations as defined in the amendment to the deed of trust is lower than the total equity of the Company as at June 30, 2020, with the addition of NIS 600 milli on, or if the equity in the financial statements is less than NIS 1.6 billion. These limits gradually increase over the years.
In view of the capital attributable to the Company's shareholders as at June 30, 2020, the minimum capital required in the subsequent periods is as follows: with regard to the financial statements commencing from the second quarter of 2021 report through to the annual financial statements for 2021, NIS 1.6 billion; with regard to all the financial statements for 2022 (including quarterly reports), NIS 2 billion; with regard to all financial statements for 2023 (including quarterly reports), NIS 2.4 billion; and commencing from the first quarter of 2024 financial statements, NIS 2.6 billion. Failure to comply with the standard in any of the foregoing financial statements will constitute grounds for immediate repayment.

3) Up to the publication date of the statements for the first quarter of 2021, the grounds for immediate repayment included in the deeds of trust regarding the equity to balance sheet ratio will not apply. For the statements as from the second quarter of 2021 and up to the financial statements for 2021, the equity to total balance sheet ratio in accordance with the separate financial statements falls below 12.5% over two consecutive quarters. This ratio rises gradually over subsequent years, so that as from the first quarter of 2024, the debenture holders will have grounds to call for immediate repayment if the equity to total balance sheet ratio in accordance with the Company's separate financial statements falls below 20% over two consecutive quarters.

NOTE 18 - OTHER DEBENTURES AND CONVERTIBLE DEBENTURES (cont.)

G. Amendment to deeds of trust (cont.)

D. Grounds for immediate repayment - the amendment to deed of trust states that: (cont.)

4) Low rating - until May 31, 2021, the trustee and debenture holders will not have the right to call for immediate repayment of the debentures due to a rating that is lower than BBB-). As from June 1, 2021, the debenture holders will have the right to call for immediate repayment if the debenture rating is lower than BBB-.

5) If another creditor of the Company or creditors of the Company's subsidiaries call for payment of their debt (in accordance with the quantitative thresholds set out in the amendment to the deed of trust), and in certain cases, they also have grounds to call for immediate repayment, this will constitute grounds to call for immediate repayment of the debentures.

6) In the effective period: general and administrative expenses in 2020, including those of the Staff Companies, will not exceed (including the costs of the amendment to the deed of trust) those in 2019, based on the Company's financial statements. In 2021, they will not exceed NIS 45 million; in 2022, NIS 40 million; and from 2023, NIS 35 million.

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

E. 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 and conditions 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 vested 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 further established that a breach of any of the Company's obligations under the amendment to the deed of trust will serve as grounds for the trustees and debenture holders to call for immediate repayment and the right to exercise all the collateral provided to the trustees.

In addition, on May 30, 2021, the general meeting of the holders of the Company's debenture old series approved another amendment to the deed of trust of each of the series of the Old Debentures (the second amendment to the deeds of trust). Below are the main points in the amended deed:

(1) Review of the rating covenant, according to the which the Company must be rated at least (-BBB) (in order for the Company to meet this requirement, such a rating by one of the rating agencies is sufficient - there is no need for such rating by two rating agencies), was initially deferred to September 15, 2021.

(2) 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 trustees.

NOTE 18 - OTHER DEBENTURES AND CONVERTIBLE DEBENTURES (cont.)

G. Amendment to deeds of trust (cont.)

E. (cont.)

(3) If the rating is not upgraded by September 15, 2021, the rating covenant will be automatically postponed by a number of instalments until March 31, 2022, provided that the Company deposits with the trustees the full amounts required for principal and interest payments of the debentures in the first quarter of 2022 in four equal instalments (25% each) on the following dates: September 15, 2021; October 15, 2021; November 15, 2021; and December 15, 2021

In November 2021, the third amendment to the deeds of trust of the Old Debentures was approved, according to which, instead of the fourth deposit scheduled for December 15, 2021, the Company will bring forward principal and interest repayments of the debentures due by March 31, 2021, which will be paid on December 19, 2021. In addition, it was approved that upon early repayment, approximately 6% of the capital of the NewMed Energy Partnership will be released against the transfer of the financing raised for them (debentures (Series B36) in favor of early repayment. The Group also undertook to encumber its holdings in Delek Overriding Royalties on Leviathan Ltd. for the benefit of the holders of these series of debentures.

As at December 31, 2021, the Company is in compliance with the requirements in the deeds of trust and their amendments.

H. Convertible liability

On December 18, 2019, DKL and the Company signed a subscription agreement with a financial institution on behalf of BP (hereinafter - the “Investor”), according to which USD 50 million was invested in DKL with an automatic conversion mechanism into ordinary shares of the issuing company in the event of an IPO of Ithaca or its related company, at a value of USD 2.5 billion. The investment bears a coupon rate of 6.5% per year in the first three years, 10% in the fourth year, and 12% in the fifth year. The agreement includes a guaranteed minimum yield and an adjustment mechanism linked to the IPO valuation as aforesaid. If the IPO does not occur within the period set out in the agreement (up to 3 years, whereas the Company has the right to extend the period to 5 years), the investor will have the right to call for repayment of the investment amount and its yields. In addition, the investor will have the right to call for repayment of the amount in the event of the sale of Ithaca or in the events of default and cross default, and in these cases, the Company has the right to convert the amount of the investment into marketable shares of the Company or of its investees in accordance with the mechanism and restrictions set out in the agreement. In addition, the Company provided a guarantee to the Investor for some of DKL's obligations in relation to the subscription agreement. In view of the above, the amount of the investment is presented in the financial statements of DKL as capital. In the Group's financial statements, the amount is presented as a liability.

I. For information about USD debentures in NewMed Energy, see Note 12J above.

J. For information about USD debentures in Delek Leviathan Royalties, see Note 12K above.

K. For information about collateral, see Note 24.

NOTE 19 - FINANCIAL INSTRUMENTS

A. Financial risk factors

The Group's activities expose it to various financial risks, such as market risk (including currency risk, CPI risk, interest risk, and price risk), credit risk and liquidity risk. The Group's comprehensive risk management plan focuses on measures to minimize possible negative effects on the financial performance of the Group. The Group uses derivative financial instruments to hedge against exposure to certain risks.

1) Exchange rate risk

The Group is exposed to exchange rate risk due to exposure to various currencies, such as the USD, EUR, GBP, and other currencies. The exchange rate risk is due to future commercial transactions (including purchase of goods in foreign currency), and for recognized assets and liabilities denominated in foreign currency other than the functional currency of the different companies.

The Group companies enter transactions involving derivative financial instruments, from time to time, such as forward transactions and options to hedge their exposure to exchange rate fluctuation.

As at December 31, 2021, the subsidiary has open agreements for forward transactions for the purchase of GBP in exchange for USD, averaging GBP 16 million per quarter at a rate of USD 1.375 to the GBP, from January to December 2022. The forward transactions are designated as unrecognized hedge accounting against future cash balances and agreements denominated in GBP. The fair value of these transactions reflects a liability of NIS 6 million

In addition, it should be noted that the Company has significant investments in foreign operations dominated in USD (mainly Ithaca and NewMed Energy). An increase (decrease) of 1% in the USD exchange rate will result in an increase (decrease) in the capital attributed to the Company's shareholders (before the tax effect) of NIS 49 million (as at December 31, 2020, NIS 71 million).

2) CPI risk

The Group has bank loans and debentures linked to changes in the CPI.

A 2% increase in the CPI will result in a loss of NIS 7 million and a 2% decrease will result in a profit in the same amount (as at December 31, 2020, NIS 23 million).

3) Credit risk

The Group holds cash and cash equivalents, short- and long-term investments and other financial instruments in various financial institutions in Israel and abroad on the highest level.

The Company has exposure to major customers for oil and gas production in Israel and abroad, although the managements of the subsidiaries estimate the credit risk for these customers as low risk, based on past experience and in view of the collateral provided by some of the customers. The subsidiaries and the Partnership monitor trade receivables regularly. As at December 31, 2021, all trade receivables are current balances for which the Company was not required to recognize a provision for doubtful debts.

NOTE 19 - FINANCIAL INSTRUMENTS (cont.)

A. Financial risk factors (cont.)

4) Liquidity risk

The table below presents the repayment dates of the Group's financial liabilities in accordance with the contractual terms, undiscounted.

	Up to one year	From one to 3 years	From 3 to 5 years	Over 5 years	Total
			NIS millions		
Loans from banking corporations and others	71	329	1,189	-	1,589
Trade payables and service providers	702	-	-	-	702
Payables	832	-	-	-	832
Derivatives	1,304	124	-	-	1,428
Lease liability	1	10	-	-	11
Debentures	1,195	5,535	3,980	6,882	17,592
Convertible debentures and liabilities	10	190	-	-	200
Other long-term liabilities	-	80	-	-	80
	4,115	6,268	5,169	6,882	22,434

December 31, 2020 (*)

	Up to one year	From one to 3 years	From 3 to 5 years	Over 5 years	Total
			NIS millions		
Loans from banking corporations and others	231	1,753	720	-	2,704
Trade payables and service providers	317	-	-	-	317
Payables	475	-	-	-	475
Derivatives	264	76	-	-	340
Lease liability	20	3	-	-	23
Debentures	3,126	5,602	5,991	4,696	19,415
Convertible debentures and liabilities	37	745	180	-	962
Other long-term liabilities	-	207	-	-	207
	4,470	8,386	6,891	4,696	24,443

(*) The balances do not include liabilities presented under liabilities attributed to assets held for sale, which amounted to NIS 2,230 million as at December 31, 2020.

NOTE 19 - FINANCIAL INSTRUMENTS (cont.)

A. Financial risk factors (cont.)

5) Price risk

(A) 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 (on gas prices for part of its future production. Information about open transactions as at December 31, 2021:

- Transactions on the price of oil

	Period	**Quantity** (MBBL of oil)	**Average exercise price** (USD/barrel)
Swap	January 2022 to December 2023	4,852	56
Put	January 2022 to December 2022	2,080	64
Collar	January 2022 to December 2023	3,559	58 - lower limit, 80 - upper limit

- Transactions on the price of gas

	Period	**Quantity** (MBBL of oil)	**Average exercise price** (USD/barrel)
Swap	January 2022 to December 2022	203,900	64
Put	January 2022 to December 2023	36,500	40
collar	January 2022 to December 2022	73,000	60 - lower limit, 94 - upper limit

NOTE 19 - FINANCIAL INSTRUMENTS (cont.)

A. Financial risk factors (cont.)

5. Price risk (cont.)

(A) Risk associated with commodity prices (cont.)

The cost of acquiring the hedging transactions amounts to USD 63 million, most of which will be repaid in 2022.

The transactions are accounted for as hedge accounting. As at December 31, 2021, the fair value, net, of the hedge transactions amounted to a liability of NIS 452 million.

On the background of falling oil prices, in the first half of 2020, Ithaca exercised some of the hedging transactions, replacing them with hedging transactions that reflect the updated forecast for the price of oil. The total net consideration received by Ithaca in 2020 from the transactions amounted to USD 156 million.

(B) Risk associated with the market price of financial investments

The Group has investments in marketable financial instruments on the TASE classified as financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss, and other financial instruments, for which the Group is exposed to changes in fair value based on the market price on the TASE.

The table below presents the impact of possible changes on market prices of securities on pre-tax income and on comprehensive income after tax.

	Effect on earnings (loss)		Effect on other comprehensive income	
	2021		2021	
	Price increase of 5%	Price decrease of 5%	Price increase of 5%	Price decrease of 5%
Risk factor	NIS millions			
Price of securities	3	(3)	-	-
Other instruments	5	(9)	-	-

	Effect on earnings (loss)		Effect on other comprehensive income	
	2020		2020	
	Price increase of 5%	Price decrease of 5%	Price increase of 5%	Price decrease of 5%
Risk factor	NIS millions			
Price of securities	2	(2)	3	(3)
Other instruments	16	(15)	-	-

NOTE 19 - FINANCIAL INSTRUMENTS (cont.)

A. Financial risk factors (cont.)

7. Sensitivity analyses of the value of contingent consideration

Sensitivity analysis of the value of contingent consideration for the sale of rights in the Karish and Tanin leases by NewMed Energy, as set out in Note 5H above, to the main parameters used in the valuation:

A) Change in the discount rate

Change in the discount rate	Pre-tax income (loss)			
	NIS millions			
	2%	1%	1%-	2%-
	2021			
Amounts receivable for sales of gas and oil and gas assets	(68)	(35)	38	78

B) Change in the price of natural gas

	Pre-tax income (loss)			
	NIS millions			
	10%	5%	5%-	10%-
	December 31, 2021			
Amounts receivable for sale of gas and oil and gas assets	225	(6)	(21)	(37)

8) Main assumptions used in calculation of sensitivity tests

The changes selected in the relevant risk variables were based on management assessments of the reasonable changes that are likely to occur in these risk variables.

The Company performed sensitivity tests for the main market risk factors that might affect the operating results or financial position. The sensitivity analyses present the profit or loss and/or change in equity (before tax) for each financial instrument for the relevant risk variable for each reporting date. Risk factors are tested on the basis of the significance of the exposure of the operating results or financial position of each risk factor in relation to the functional currency and assuming that all the other variables are constant.

The risk is not exposed to interest risk in loans at fixed interest. For loans at fixed interest, the sensitivity test for interest risk will only be performed on the variable component in the interest.
Sensitivity tests for marketable investments with a quoted market price (TASE price) were based on possible changes in these market prices.

NOTE 19 - FINANCIAL INSTRUMENTS (cont.)

B. Fair value

The table below describes the balance in the financial statements and the fair value of groups of financial instruments, presented in the financial statements, not on the basis of fair value:

	Balance		Fair value	
	December 31		December 31	
	2021	2020	2021	2020
	NIS millions			
Financial liabilities *)				
Long-term loans	1,151	2,385	1,151	2,385
Debentures	13,717	15,999	14,489	15,231
Total	14,868	18,384	15,640	17,616

The measurement of the fair value of the loans is classified to level 3 in the fair value hierarchy. The fair value of most of the debentures is classified to level 1 in the fair value hierarchy.

The carrying amount of financial instruments such as cash and cash equivalents, short-term investments, trade receivables, other receivables, long-term loans provided, borrowings from banks and others, liabilities to trade payables and other payables is equal to or approximates their fair value.

C. Classification of financial instruments according to fair value level

For the purpose of measuring the fair value of the assets or liabilities, the Group classifies them according to the hierarchy that includes the following three levels:

Level 1: Prices quoted (unadjusted) in active markets for identical assets or identical liabilities to which the entity has access at the time of the measurement.

Level 2: Data other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Data that are unobservable for the asset or liability.

Assets or liabilities measured at fair value are classified based on the lowest level used materially to measure the fair value of the asset or liability in their entirety.

NOTE 19 - FINANCIAL INSTRUMENTS (cont.)

C. Classification of financial instruments according to fair value level (cont.)

Financial assets measured at fair value

	Level 1	Level 2	Level 3
		NIS millions	
December 31, 2021			
Financial assets at fair value through profit or loss			
Shares	5	-	-
ETFs	65	-	-
Seller's loan to the buyers of The Phoenix	-	-	189
Royalties receivable for the sale of the Karish and Tanin leases	-	-	816
Loan provided for the sale of the Karish and Tanin leases	-	200	-
Financial assets at fair value through other comprehensive income			
Financial derivatives	-	15	-

Financial liabilities measured at fair value

	Level 1	Level 2	Level 3
		NIS millions	
December 31, 2021			
Financial liabilities at fair value through profit or loss			
Contingent consideration	-	-	61
Financial liabilities at fair value through other comprehensive income			
Cash flow hedging transactions	-	1,297	-
Financial derivatives	-	6	-

NOTE 19 - FINANCIAL INSTRUMENTS (cont.)

C. Classification of financial instruments according to fair value level (cont.)

Financial liabilities measured at fair value (cont.)

	Level 1	Level 2	Level 3
		NIS millions	
December 31, 2020			
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	-

	Level 1	Level 2	Level 3
		NIS millions	
December 31, 2020			
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	-

In 2021 and 2020, there were no transfers between the different fair value levels.

NOTE 20 - ASSETS AND LIABILITIES FOR EMPLOYEE BENEFITS

Post-employment benefits

Labor laws and the Severance Pay Law in Israel requires Group companies operating in Israel for severance pay to employees if they are dismissed or when they retire or to make routine deposits in defined deposit plans under Section 14 of the Severance Pay Law, 1963 (hereinafter - the "**Severance Pay Law**"), as described below. The liability of the Group companies for this is recognized as a post-employment benefit. The liability of the Group companies for employee benefits is based on the valid labor agreement and the employee's salary, which generate the right to severance pay.

Post-employment benefits are usually financed by deposits classified as a specific deposit plan as described below.

Defined deposit plan

The provisions of Section 14 of the Severance Pay Law, 1963 (hereinafter - the "Severance Law") apply to most of the severance pay, according to which the Group's routine contributions to the pension fund and/or insurance policies exempt it from any other liability towards the employees for whom the above contributions were made; these contributions and contributions for retirement benefits constitute defined contribution plans.

NOTE 21 - LEASES

As at December 31, 2021, the Group has a lease agreement for a floating production facility used for the operating activities of a subsidiary. The balance of the agreement term is 1.5 years.

1) Information about lease transactions

	For the year ended December 31 2021	For the year ended December 31 2020
	NIS millions	NIS millions
Interest expenses for lease liabilities	1	2
Total negative cash flows for leases	13	23

NOTE 21 - LEASES (cont.)

2) Movement in right-of-use assets

2021

	Oil and gas assets
Cost	
Balance as at January 1, 2021	42
Additions during the year	
Updates to right of use assets for changes in the lease terms	8
Adjustments from translation of financial statements of foreign operations	(1)
Deconsolidation *)	
Balance as at December 31, 2021	49
Accumulated depreciation	
Balance as at January 1, 2021	22
Depreciation and amortization	18
Adjustments from translation of financial statements of foreign operations	(3)
Balance as at December 31, 2021	37
Amortized cost as at December 31, 2021	12

NOTE 21 - LEASES (cont.)

2) Movement in right-of-use assets (cont.)

2020

	Land	Vehicles	Oil and gas assets	Total
	NIS millions			
Cost				
Balance as at January 1, 2020	996	10	46	1,052
Additions during the year				
Additions to right of use assets for new leases in the period	144	1	-	145
Updates to right of use assets for linkage to the CPI	(5)	-	-	(5)
Updates to right of use assets for changes in the lease terms	11	2	-	13
Disposals of right of use assets for leases that ended in the period	(95)	(12)	-	(107)
Adjustments from translation of financial statements of foreign operations	-	-	(4)	(4)
Deconsolidation *)	(1,051)	(1)	-	(1,052)
Balance as at December 31, 2020	-	-	42	42
Accumulated depreciation				
Balance as at January 1, 2020	137	5	-	142
Depreciation and amortization	113	2	22	137
Disposals of right-of-use assets	(40)	(6)	-	(46)
Adjustments from translation of financial statements of foreign operations	-	-	(2)	(2)
Deconsolidation	(210)	(1)	-	(211)
Balance as at December 31, 2020	-	-	20	20
Amortized cost as at December 31, 2020	-	-	22	22

NOTE 22 - PROVISIONS AND OTHER LIABILITIES

	December 31	
	2021	2020
	NIS millions	
Costs for undertaking to dispose of assets (1)	5,113	4,870
Payables for an investment in oil and gas assets (2)	88	228
Others	141	167
	5,342	5,265

(1) For production assets of oil and gas, see Note 12. The annual discount rate used in calculating the undertaking to dispose of oil and gas assets in Israel and the surrounding area as at December 31, 2021, is 3.6%-3.8% (in 2020, 1.1%-3.3%). The annual discount rate used in calculating the undertaking to dispose of oil and gas assets in the North Sea area as at December 31, 2021, is 2.5% (in 2020, 3%) and the inflation rate is 2.5% (in 2020, 2%). The liability for disposal of assets includes an amount of USD 330.5 million (2020, USD 330.5 million - identical amount) for the liability for disposal of fields acquired by Ithaca in the Heather 2019 and Strathspey fields, which Ithaca assumed as part of the acquisition. Under the terms of the acquisition, the costs incurred by Ithaca under the liability and under incentive agreements for disposal of assets, net of tax, will be returned in full by Chevron. Accordingly, the Group included the balance of the debt attributable to Chevron in other long-term receivables.

Changes in costs for undertaking to dispose of assets:

	December 31	
	2021	2020
	NIS millions	
Balance as at January 1	5,089	4,754
Additions	325	22
Effect of the passage of time	145	175
Effect of the adjusted discount rate	537	750
Elimination of the provision	(397)	(102)
Translation differences	(198)	(387)
Transfer to liabilities attributed to held-for-sale assets	-	(123)
	5,501	5,089
Less - amounts presented under other payables	(388)	(219)
Balance as at December 31	5,113	4,870

(2) Mainly reflects the present value of deferred consideration (partially contingent) to be paid in 2023.

NOTE 23 - CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS

A. Contingent liabilities

There are contingent claims, including motions for certification of class action suits, against the Company and certain investees for significant sums that might reach billions of shekels. The financial statements of the Company or of the relevant Group companies include provisions for the costs that might arise from these claims only if it is more likely than not (meaning a probability of more than 50%) that a liability arising from a past event will be created, and the amount of the liability can be reliably quantified or estimated. The amounts of the provisions are based on the assessment of the relevant Group companies regarding the extent of the risk in each of the claims (other than for some claims which are in the preliminary stage and therefore, the chances of their success cannot be estimated). The estimates of the relevant Group companies regarding the risk are based on the opinion of their legal counsel and on the estimate of the relevant Group companies regarding the reasonable amounts in the settlements that these companies are expected to bear as a result of the settlement proceedings.

Details of the material claims filed against the Group companies are provided below (claims against Group companies that were closed up to the approval date of the financial statements, without material effect on the statements, were not included in this disclosure):

1) Contingent claims to which the Partnership is a party

(1) On February 4, 2019, a claim and a motion for its certification as a class action (hereinafter in this section - the “Motion for Certification”) was filed with the Tel Aviv District Court (Economic Department) by a shareholder of Tamar Petroleum and the Public Representatives Association (hereinafter jointly in this section - the “Applicants”), against Tamar Petroleum, the Partnership, the CEO of the general partner in the Partnership and the Chairman of the Board in Tamar Petroleum at the issuance date, the CEO of Tamar Petroleum, the CFO of Tamar Petroleum, and Leader Issues (1993) Ltd. (hereinafter in this section - the “Respondents”), regarding the issue of Tamar Petroleum shares in July 2017 (hereinafter in this section - the “Issuance”).
According to the Applicants, in brief, the Respondents misled the investors at the time of the Issuance, in relation to the ability of Tamar Petroleum to distribute a dividend to its shareholders, for the period commencing on the date of the Issuance and ended at the end of 2021 (hereinafter in this section - the “Period”), and breached its duties under various laws, including breach of the duty of care of the officers and breach of the Partnership's duty as a shareholder and as the controlling shareholder of Tamar Petroleum prior to the Issuance.
The remedies sought in the class action included mainly monetary relief in the amount of at least USD 53 million, which, according to the petitioners, is the difference between the total dividend expected to be paid by Tamar Petroleum for the Period, as set out in the issuance document to institutional investors of July 12, 2017, and the total dividend, which, according to the expert opinion attached to the motion for certification, Tamar Petroleum is expected to distribute for the Period.
On August 13, 2019, the court ordered the Applicants to send the court documents in the case to the Attorney General so that he could notify, by September 15, 2019, whether he wishes to join the proceeding; on February 6, 2020, the Attorney General notified that, at this time, he sees no cause to join the proceeding. On November 1, 2020, the Applicants filed a motion to amend the motion for certification (hereinafter in this section - the “Motion for Amendment”) seeks to add another petitioner that participated in the issuance to the motion for certification, unlike the current petitioners that did not take part in the issue. In addition, the Motion for Amendment seeks to increase the amount of the alleged damage to USD 153 million.

NOTE 23 - CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1) Contingent claims to which the Partnership is a party (cont.)

(1) (cont.)
On April 6, 2121, the court accepted the applicants' motion for the amendment to the motion for certification and ruled that the applicants may file the amended motion for certification in the wording that was filed with the court, subject to payment of costs to the respondents in the amount of NIS 100,000. On May 9, 2021, the court accepted the respondents' motion to stay the proceedings in the case due to their intention to file a motion for leave to appeal the decision to approve the amended motion for certification. On June 3, 2021, the respondents filed a motion for leave to appeal the ruling to approve the amendment of the motion for certification, and on July 13, 2021, the applicants filed their response to the motion for leave to appeal. On November 7, 2021, the motion for leave to appeal was dismissed, and on January 23, 2022, an amended motion was filed for certification of the class action. A prehearing on the case is expected to be held on July 4, 2022.
The Partnership believes, based on the opinion of its legal counsel, that it is more likely than not that the Motion for Certification will be dismissed.

(2) On June 18, 2014, a motion for certification of a class action was filed with the Tel Aviv District Court by a consumer of the IEC against the Tamar partners (hereinafter - the "Applicant" and the "Motion for Certification", respectively). The claim refers to the price of natural gas sold by the Tamar partners to IEC.
In the Motion for Certification, the price of gas sold to IEC is unfair and constitutes an abuse of the status of the Tamar partners as a monopoly for supply of natural gas in Israel, in contravention of Section 29A to the Economic Competition Law.

The following remedies are requested in the Motion for Certification: Compensation for all electricity consumers in the difference between the price paid to IEC for natural gas supplied by the Tamar partners and its fair price, which is estimated at NIS 2.456 billion (100%) on the filing date of the motion, and declaratory orders stating that the Tamar partners are required to refrain from selling natural gas from the Tamar Project at the amount exceeding the amount set in the Motion for Certification, and its sale at a higher price constitutes abuse of their power as a monopoly.
On August 6, 2021, the district court handed down a judgment dismissing the motion for certification, both because the grounds for the claim had not been proven, even ostensibly, in that there is no evidence that the price of natural gas in the IEC contract is unfair, and because the motion for certification fails the fulfill the requirement in Section 8(A)(2) of the Class Actions Law, 2006, in that the class action is not the effective and fair way to resolve the dispute under the circumstances, due to the deep involvement of the regulators assessing the broad questions in economics, economic competition, and Israel's foreign and security policy, which were reflected in the ruling of the regulators and the government of Israel.
On September 30, 2021, the applicant appealed the judgment with the Supreme Court, petitioning the Supreme Court to certify the claim as a class action and to order the district court to hear the class action. The Tamar Partners filed their response to the appeal on March 1 2022 and the Attorney General is expected to file her response to the appeal by April 3, 2022. A hearing of the Appeal is scheduled for September 19, 2022
The Partnership believes, based on the opinion of its legal counsel, that it is more likely than not that the claim will not be certified as a class action.
It should be noted that, under the terms of the agreement regarding the sale of the balance of the Partnership's rights in the Tamar Project, after completion of the transaction, the Partnership will still be liable to the Buyers for any liability regarding this motion for certification, including any appeal and any other procedure in this respect.

NOTE 23 - CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1) Contingent claims to which the Partnership is a party (cont.)

(3) On March 12, 2015,the Partnership and Noble (hereinafter jointly in this section - the “Plaintiffs") filed a claim at the Jerusalem District Court against the State of Israel, represented by the Ministry of Energy (hereinafter in this section - the “Defendant”), which refers mainly to the refund of royalties paid by the Plaintiffs, in excess and under protest, to the Defendant, for revenues arising from gas supply agreements signed between natural gas consumers and the Yam Tethys partners, part of which was supplied from the Tamar Project, in which the accounting mechanism was intended to maintain a balance of gas quantities at the Tamar Project between the partners according to their share. The refund remedy that the state is petitioned to pay amounts to USD 28 million as at December 31, 2021; the share of the Partnership amounts to USD 13 million. Alternatively, the Plaintiffs claim that they are at least entitled to a partial refund, which, as at December 31, 2021, amounts to 19.4 million; the share of the Partnership amounts to USD 9 million. As at the approval date of the financial statements, the claim is in the stage of closing statements.

The Partnership believes, based on the opinion of its legal counsel, that it is possible, meaning there is a chance of more than 20% but less than 70%, that the plaintiff’s primary claim will be accepted, and that they will be entitled to the full amount of the refund, and that it is more likely than not that, at the very least, their claim to rights to a partial amount refund, will be accepted.

It should be noted that, under the terms of the agreement as set out in Note 12C, for the sale of the balance of the Partnership’s rights in the Tamar Project, after completion of the transaction, the Partnership will still be entitled to receive the amount of any refund that may be ruled in favor of the Partnership.

(4) Further to Note 12L1D above, following the decision of the Competition Commissioner (hereinafter in this Section - the “Commissioner”), in accordance with Section 20(B) of the Economic Competition Law, to approve, conditionally, the merger between EMG and EMED, under which a series of agreements were signed to allow the export of gas to Egypt from the Tamar and Leviathan gas reservoirs (hereinafter in this section - the “Merger), on September 8, 2019, Lobby 99 Ltd. (Halutz) and Hatzlacha – For Promotion of a Fair Society (R.A.), filed an appeal with the Competition Court at the Jerusalem District Court. The appeal was filed against the Commissioner (as a respondent) and against EMED and EMG. In summary, the appeal argues that the Merger will allow the Partnership and Noble to block any possibility of importing natural gas from Egypt that will compete with gas produced from the Tamar and Leviathan reservoirs that they own, and that the approval of the Merger includes conditions that cannot be implemented and that do not remedy the competitive damage that may be incurred, according to them, by the approval of the Merger. In the appeal, the court was petitioned to revoke or modify the Commissioner’s decision.

On December 15, 2020, a preliminary hearing was held for the appeal. (Evidentiary hearings in the appeal are scheduled for March 2022). The Partnership believes, based on the opinion of its legal counsel, that it is more likely than not that the appeal will be dismissed.

NOTE 23 - CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1) Contingent claims to which the Partnership is a party (cont.)

(5) On August 28, 2019, the Homeland Guards Association (hereinafter - the "Petitioner") petitioned the Jerusalem District Court against the Ministry of Environmental Protection and its officials and against Noble and the Ministry of Energy, requesting that it instructs the Ministry of Environmental Protection and its officials to require Noble or the Ministry of Energy to provide information, which, the Petitioner claims, is required for the purpose of making a decision on the application for the Emissions Permit of Leviathan; to publish the full information to the public and to allocate a 45-day period for comments; and to refrain from issuing an Emissions Permit for the rig until the petition is heard. Concurrently with the petition, a motion was filed for an interim injunction and a temporary injunction, aimed at preventing the issuance of the Emissions Permit of Leviathan until the petition was heard. On September 5, 2019, the application for an interim injunction and a temporary injunction was dismissed. On December 19, 2019, the court handed down a judgment dismissing the petition, and on November 2, 2021, the Supreme Court handed down a judgment dismissing the appeal of the judgment filed by the petitioner.

(6) In the petition filed with the Jerusalem District Court in November 2019, by the Zichron Yaakov Local Council, Zalul Environmental Association, the Jisr az-Zarqa Local Council, the Megiddo Regional Council, the Pardes Hanna-Karkur Local Council, and the Hefer Valley Regional Council (hereinafter in this section - the "Petition" and the "Petitioners", respectively), against the director of the Air Quality Division at the Ministry and against Chevron, the court was petitioned to order the nullification of the emission permit of the Leviathan rig and to rule that no activity involving the emission of gases will take place on the Leviathan rig. On March 15, 2020, the district court handed down a judgment dismissing the petition, and on October 7, 2021, the Supreme Court handed down a judgment dismissing the appeal on the judgment filed by the petitioners, stipulating that the court had recorded Chevron's statement that any change in its intention to carry out monitoring and sampling will be brought to the Commissioner's attention, and that it will comply with the Commissioner's directives on this matter.

(7) On February 27, 2020, the Partnership learned of a class action and motion for its certification (hereinafter in this section - the "Motion for Certification") filed at the Tel Aviv District Court by an electricity consumer (hereinafter in this section - the "Applicant") against the Partnership and Noble and against the other holders of the Tamar Project and the Leviathan Project (as litigants against which no remedy is sought), in connection with the competitive process for the supply of natural gas conducted by the IEC and in connection with a possible amendment to the agreement for the supply of gas from the Tamar Project to the IEC (hereinafter in this section - the "Amendment to the Tamar Agreement"), as agreed by the other holders in the Tamar Project, without the involvement of the Partnership and Noble.

The main arguments of the Applicant are, in brief, that the bids made by the holders in the Tamar Project and the holders in the Leviathan Project in the competitive process amount to abuse of monopolistic power and to a restrictive arrangement, as defined in the Economic Competition Law; the fact that the Partnership and Noble did not sign the amendment to the Tamar agreement also amounts to abuse of monopolistic power; the price set in the agreement for the supply of gas from the Leviathan Project to the IEC further to the competitive process is an unfair price; and profits generated and to be generated by the Partnership and Noble under the agreement, while harming competition, amount to unjust enrichment.

NOTE 23 - CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1) Contingent claims to which the Partnership is a party (cont.)

(7) (cont.)
The applicant claims that the actions of the Partnership and Chevron have caused and are expected to cause damage to the classes he seeks to represent in the amount of NIS 1.16 billion, for which the applicant is petitioning in favor the classes he seeks to represent, and according to which the court is petitioned to award compensation and fees. The main remedy sought in the class action is a ruling by the court that the Partnership and Chevron are not entitled to prevent the other holders in the Tamar Project from signing the Amendment to the Tamar Agreement.
On December 22, 2020, the other holders in the Tamar Project filed a motion for summary omission, and on September 9, 2021, the court approved the omission. In addition, on November 17, 2021, the court accepted the agreed motion of Ratio to omit it from the motion for certification. The pre-trial hearing of the Motion for Certification is scheduled for April 24, 2022.
On December 9, 2021, the Partnership and Chevron filed their response to the motion for certification and the motion for issuing the legal opinion attached to the motion for certification, and on February 27, 2022, the court ruled that the motion will be heard in the hearing scheduled for April 24, 2022. On February 28, 2022, the applicant filed a response to the respondents' response to the motion for certification.
The Partnership believes, based on the opinion of its legal counsel, that it is more likely than not that the motion for certification will be dismissed.

(8) On December 30, 2018, Bazan filed a request for arbitration against EMG with the International Chamber of Commerce in accordance with the agreement for the sale of natural gas signed between them on December 12, 2010 (hereinafter - the "EMG-Bazan Agreement"). Bazan's main claim is that due to the failure to supply natural gas in the period of the EMG-Bazan Agreement and the termination of the Agreement, it incurred damage estimated at USD 350 million. Moreover, Bazan's second claim is those contractual limitations on liability, at USD 45 million plus interest, apply. EMG claims that Bazan is not entitled to compensation at all since the EMG-Bazan Agreement was suspended due to force majeure, and that the statute of limitations applies to Bazan's claims. EMG further claims that even if Bazan is found to be entitled to damages, the amount of the damages is limited to USD 20 million, under the terms of the EMG-Bazan Agreement. Arbitration hearings were held in October 2020 and included written motions which continued until December 2020. The arbitration award was issued to the parties on March 5, 2021, in which all of the claims against EMG were rejected, and Bazan was charged with costs.

NOTE 23 - CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

1) Contingent claims to which the Partnership is a party (cont.)

(9) To the best of the Partnership's knowledge, in August 2019, PTT (which held 25% of EMG shares as at the filing date of the claim), filed a claim with the Economic Court in Port Said, Egypt, against EMG and other parties. In the statement of claim, PTT sought the revocation of the decisions of EMG's general meeting on June 10, 2019, including revocation of the decision to approve the signing of the CLOA. PTT claims that these decisions constitute discrimination of the minority shareholders and are contrary to the Company's best interests, in violation of the Egyptian companies law, which applies to EMG. On December 2, 2021, it was announced that PTT had sold its holdings in EMG to a special purpose company wholly owned by the Italian company SNAM, and to the best of the Partnership's knowledge, the claim filed by PTT was dismissed.

(10) In December 15, 2020, a motion for certification of a class action was filed in the Tel Aviv District Court against Chevron (hereinafter in this section - the "Respondent") by a resident of the Dor Beach region, called "anyone who was exposed to air, sea, and beach pollution due to prohibited emissions from the offshore gas rig operated by the respondents opposite Dor Beach, and which serves the Leviathan natural gas reservoir, in the period between the start of the rig's operation in December 2019 and until a ruling is handed down in this action" (hereinafter in this section - the "Motion for Certification" and the "Class Members"). In essence, the motion for certification argues that the Respondent exposed the Class Members to air, sea and environmental pollution, due to prohibited emissions deriving from the Leviathan Reservoir rig. Such exposure, according to the Petitioner, created various health problems (which were not specified in the motion got certification) and damage of impairment of autonomy due to the health concerns as aforesaid. The main remedy sought in the motion for certification is compensation for the Class for the damage it allegedly incurred which is estimated at NIS 50 million. In addition, the Petitioner moved for a remedy of an order instructing the Respondent to immediately comply with its obligations under the Clean Air Law and the Regulations promulgated thereunder. On May 5, 2021, the court proposed that the parties negotiate and on June 21, 2021, the parties notified the court that they had not reached any agreements that may advance the proceedings and therefore, it should continue to be administered before the court. A pretrial hearing has been set for May 16, 2022.
As at date of approval of the Report, the Partnership estimates that, based on the opinion of the Operator's legal counsel in the proceedings, at this stage the chances of the appeal being dismissed outweighs the chances of it being granted.

(11) For information about a claim and motion for its certification as a class action filed with the Economic Department of the Tel Aviv District Court by a person claiming to hold participation units of the Partnership, see Section 2(1) below.

NOTE 23 - CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

2) Contingent claims to which the Company is a party

(1) On April 23, 2020, a claim and motion for its certification as a class action (hereinafter - the "**Motion for Certification**") was filed with the Economic Department of the Tel Aviv District Court, by a person claiming to hold participation units of the Partnership (hereinafter - the "**Applicant**"). The claim and the Motion for Certification were filed against the Partnership, the general partner, the Company, the controlling shareholder in the Company, the board of directors of the general partner in the Partnership (including former and current officers in the company), and the CEO of the general partner in the Partnership (hereinafter - the "**Respondents**").
In the Motion for Certification, it is alleged that the Respondents failed to disclose, in the Partnership's reports, the existence of a term in the agreements for the sale of natural gas from the Leviathan and Tamar reservoirs to Dolphinus Holdings Limited (hereinafter - the "Sale Agreements" and the "Buyer", respectively) according to which, in a year in which the average daily price of a Brent barrel (as defined in the Sale Agreements) falls below USD 50 per barrel, the Buyer may reduce the minimum annual quantity purchased under the Sale Agreements to 50% of the annual contractual quantity.
According to the Applicant, the alleged non-disclosure in the Partnership's reports establishes grounds for a claim under various sections in the Israel Securities Law, 1968, by virtue of breach of statutory duty, and negligence. The main remedy sought in the Motion for Certification is compensation of the class that Applicant intends to represent for the alleged damage it incurred, which is estimated, based on the opinion attached to the Motion for Certification, in the amount of NIS 55.5 million. In addition, the Applicant petitioned to court to order any other compensation in favor of the class, as the court deems fit under the circumstances.

On January 17, 2021, the Respondents filed their response to the Approval Petition, and on September 26, 2021 the Applicant filed a response to the Respondents' response to the approval petition, to which it attached an up-to-date expert opinion. On January 2, 2022, the Attorney General announced - after the court ordered him to do so - that at this stage he did not deem it right to take a position in the procedure. On January 3, 2022, the Respondents filed a motion to delete parts of the supplementary opinion attached to the Applicant's response to the Respondents' response to the Approval Petition. On February 1, 2022, the Applicant filed a response to the motion, and on February 9, 2022, the Court rejected the motion. Evidentiary hearings in the approval petition are scheduled for June 2022.
The Company believes, based on the opinion of its legal counsel, that it is more likely than not that the Motion for Certification will be dismissed.

NOTE 23 - CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

2) Contingent claims to which the Company is a party (cont.)

(2) On December 25, 2016, a motion for certification of a class action was filed (below in this section - the "Motion for Certification") on the grounds that the merger transaction between the NewMed Energy and Avner Partnership was approved in an unfair process and the consideration that was paid to the holders of the non-controlling units in Avner, as set out in the merger agreement, is unfair. The Motion for Certification was filed against Avner Partnership, the general partner in Avner Partnership and members of its board of directors, Delek Group as the controlling shareholder in Avner Partnership (linked), and against PricewaterhouseCoopers Consulting Ltd. (PWC), as the economic advisor of an independent board committee established by Avner Partnership. The Motion for Certification includes allegations that the members of the committee, board of directors of Avner Partnership and companies of the general partner in Avner Partnership, breached the duty of care towards Avner Partnership, and that Avner Partnership acted in a way that discriminated against the non-controlling interests. It was also claimed that the merger transaction presented a clear conflict of interests for Delek Group by virtue of its being the controlling shareholder of Avner and NewMed Energy, and therefore, with the approval of the merger transaction, Delek Group violated its duty of fairness under the Partnerships Ordinance. The plaintiffs estimate that the damage amounts to NIS 320 million.

On February 13, 2017, the court approved a procedural arrangement whereby the Motion for Certification will be amended by adding a claim of discrimination against a minority by the Delek Group. On July 6, 2017, the court ordered the Partnership to join as a respondent, at its request. On July 27, 2017 and November 13, 2017, responses to the Motion for Certification were filed, and on January 14, 2018, the Applicants filed their reply to the responses. In March 2021, evidentiary hearings took place and the evidentiary stage in the case was concluded; an order for summaries was issued such that. The court ordered the Company to submit its final arguments in the case by April, 2022. The Company believes, based on the opinion of its legal counsel, that it is more likely than not that the Motion for Certification will be dismissed.

(3) Derivative claim regarding the investment recovery date in the Tamar Project

In January 2019, the supervisors on behalf of the holders of the Partnership's participation units filed a discrimination claim with the Tel Aviv District Court (Economic Department), against the Partnership, the general partner in the Partnership, the Company, Delek Energy, and Delek Royalties (Delek Group, Delek Energy, and Delek Royalties will be referred to jointly in this section hereinafter as the "Royalty Holders"). Concurrently with filing the claim, a motion was also filed for an interim injunction as described below. The claim was defined as a declaratory claim and a claim for remedy to eliminate discrimination, and in which the court was petitioned to declare, among other things, that the calculation of the investment recovery date in the Tamar Project should include the payments due by the Partnership to the state (hereinafter in this section below- the "Sheshinski Levy"). The court was further petitioned to declare that the investment recovery date in the Tamar lease has not yet been achieved and to determine when this date will be achieved; and to declare that the Royalty Holders are required to return the alleged surplus payments to the Partnership.

On February 2019, the Partnership filed a motion for a stay of proceedings in the claim due to the existence of an arbitration clause (hereinafter - the "Motion for a Stay of Proceedings").

NOTE 23 - CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

2) Contingent claims to which the Company is a party (cont.)

(3) Derivative claim regarding the investment recovery date in the Tamar Project (cont.)

On April 3, 2019, a statement of defense and a statement of counter-defense were filed on behalf of the royalty holder. The counterclaim included claims that the investment recovery date should be earlier (in 2015, 2016, or 2017: hereinafter - the “Royalty Holder’s Claim"). In the Royalty Holders’ Claim, the royalty holders allege, among other things, that in the calculation of the investment recovery date in the Tamar Project, the Partnership included expenses that were attributed to the calculation, including the financing expenses of the Partnership itself, future expenses of an uncertain amount for disposal and removal of facilities, headquarter expenses of the Partnership, and any expense intended for the project stages after the wellhead. According to the Royalty Holders, after deducting these expenses, the investment recovery date in the Tamar Project had already been achieved in August 2015, or alternatively, in 2016 or alternatively again, in 2017. Accordingly, the Royalties Holders petitioned the court to declare which expenses should be included in the calculation of the investment recovery date, and to order the Partnership to re-calculate the investment recovery date accordingly, and the royalties due to the Royalty Holders, and to submit the calculation to the Royalty Holders.
The Royalty Holders further claim that the investment recovery date should be deliberated in arbitration, and not in court, and that if the Supervisor’s claim is sent to arbitration, so should the hearing of the counterclaim.

According to the court ruling, on July 9, 2020, the parties filed an agreed notice with the court that the preliminary proceedings between the supervisors and the Partnership have ended and that the supervisors and the Royalty Holders have reached an agreement according to which the preliminary proceedings between them will be completed by July 23, 2020. The parties further agreed that within this period, they will hold discussions in order to reach agreements as to how to advance the proceedings and the filing of evidence in the case. On July 12, 2020, court gave the validity of a ruling to the parties’ agreement. The filing of evidence (affidavits and opinions) on behalf of all the parties, both in the supervisors' claim and in the Royalty Holders’ Claim, has been concluded. On April 5, 2021, a pre-trial hearing was held, in which it was agreed that the parties will contract a mediator, retired Justice Yoram Danziger, to settle the dispute. On May 5, 2021, a mediation meeting was held which was attended by all parties and the mediator, and in subsequent weeks additional meetings were held. Another mediation meeting was held on November 8, 2021.As part of this meeting, the parties conducted negotiations to reach an agreement in principle to resolve the disputes; as part of those negotiations, it was agreed to appoint the mediator as an arbitrator. On March 20, 2022, the parties submitted to the Court an update notice regarding the mediation proceeding; as part of the notice, the parties updated the Court again regarding the progress of the mediation proceeding through April 27, 2022. On March 31, 2022, the Court allowed the parties’ request.

As stated above, together with filing the claim, in January 2019, the supervisors filed an urgent request for an interim injunction.
In the motion for an injunction, the court was petitioned, among other things, to order the Partnership and the general partner to refrain from transferring the higher overriding royalty to the royalty holder, and instead, to transfer it to the trust fund of the Partnership, at least until the ruling on the claim. In addition, the court was petitioned to order the royalty holders to return the higher overriding royalty that they had received as at that date and to transfer it to the above trust account, at least until the ruling on the claim.

NOTE 23 - CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

2) Contingent claims to which the Company is a party (cont.)

(3) Derivative claim regarding the investment recovery date in the Tamar Project (cont.)

On January 22, 2019, the Royalty Holders filed a response (objection) to the injunction (above and hereinafter below - the "Response to Motion for an Injunction"), in which it was argued that the motion should be dismissed for several reasons.
On April 1, 2019, a notice was submitted by the parties, according to which the parties had reached an arrangement regarding the issue of a letter of undertaking by Delek Energy, which would obviate the hearing on the motion for an interim injunction (hereinafter - the "arrangement"). Under the arrangement, it was determined that the plaintiffs will not be able to renew a motion of this kind or similar motions in the future. On April 2, 2019, validity of a ruling was given to the parties' agreement.
On May 12, 2020, the supervisors filed an urgent motion for temporary relief (and a motion for a second review) (hereinafter - the "Second Motion for an Injunction"). The supervisors claim that the motion was filed in view of the extreme and dramatic change in circumstances and the court was petitioned to order the Partnership and the general partner to refrain from transferring to the Royalty Holders, including the Company, the overriding royalty at the increased rate, or alternatively to order the Partnership and the general partner to transfer the overriding royalty at the increased rate to an escrow account owned by the Partnership, at least until the ruling on the claim. Alternatively, the court was petitioned to hand down a temporary injunction or an additional or different injunction at the court's discretion, to ensure the possibility of collecting the overriding royalties, if a judgment is handed down that they overpaid. The court was further petitioned to schedule an urgent hearing of the motion.
On May 19, 2020, a response (objection) to the Second Motion for an Injunction was filed on behalf of the Royalty Holders, alleging that the mere filing of the motion is a breach of the supervisors' obligation under the arrangement between the parties, according to which it was agreed that the plaintiffs cannot renew the motion for a temporary injunction or file similar motions.

On June 23, 2020, the supervisors submitted a motion and an agreed notice to the court, claiming that following negotiations with the Royalty Holders, including the Company, an agreement was reached whereby at this time, there is no need to decide on the matters of dispute between the parties to the motion. The court was petitioned to order the cancellation of the scheduled hearing. The court upheld the agreed notice and canceled the scheduled hearing.
On July 9, 2020, the parties filed the agreed notice described above, regarding the completion of the preliminary proceedings between the supervisors and the Partnership by July 23, 2020. In view of the above, the filing of evidence (affidavits and opinions) by all the parties - both in the Supervisors' claim and the counter-claim (the Royalty Holders' claim) was concluded, and on April 5, 2021, a pretrial hearing was held, in which it was agreed that the parties will contract a mediator, retired Justice Yoram Danziger, to settle the dispute, as outlined in Section (2) above..

Regarding the supervisors' claim, the Company and based on the opinion it received, and on the assessments of its legal advisors, that it is more likely than not that the supervisors' claim against the Company will be dismissed.

Regarding the Royalty Holders' Claim, the Company believes, based on the opinion of its legal counsel, that in view of the early stage of the proceeding, as set out above, the chances of the claim cannot be assessed at this stage.

NOTE 23 - CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

2) Contingent claims to which the Company is a party (cont.)

(4) On August 4, 2019, the Company, Delek Energy, and Delek Royalties entered into an agreement according to which they agree to mediation proceedings with Tamar Petroleum before former Honorable Justice Yoram Danziger, and should the mediation fail, the parties agree to appoint the former Justice to act as a single arbitrator in the arbitration proceedings between them. When signing the agreement, the Company signed a memorandum of undertaking, according to which, if the arbitrator rules that Delek Royalties or any party in its place, is required to refund royalties that were paid to it in excess due to the exclusion of the Sheshinski levy in the calculation of the investment recovery date, the Company will cover this payment within 14 days of the date of the judgment. On September 22, 2019, a preliminary mediation meeting was held, in which it was decided that each of the parties will meet separately with the mediator to present their principal claims. According to Tamar Petroleum, the Sheshinski levy should be included in the calculation of the investment recovery date, which will postpone the investment recovery date. On the other hand, the royalty holders claim that this calculation cannot include a series of expenses that have been "loaded" into the calculation, and in particular, the Sheshinski levy cannot be included. The mediation is ongoing and at this stage, the parties are meeting separately and together with the mediator. The Company believes, based on the option of its legal counsel, taking into consideration the preliminary stage of the mediation, that if the claim of Tamar Petroleum regarding the Sheshinski levy is the same as the claim of the Supervisors in this matter, as set out in Section 3 above, in view of the professional opinion submitted to the Company, it is more likely than not that Tamar Petroleum's claim against the Company will be dismissed.

5) On April 16, 2020, a motion was filed with the Tel Aviv-Jaffa District Court (Economic Department) for certification of a class action against the Company, all members of the Company's board of directors, and the Company's present and former CEO (hereinafter in this section - the "**Respondents**").
According to the motion, the applicant's main allegation is that the Respondents failed (allegedly) to disclose to the investors material information about the collateral and liens and about the rights that the loan agreements conferred on the lenders, and in particular, regarding their repayment, including the immediate repayment.
According to the applicant, the class that is represented is whoever purchased shares in the Company between November 28, 2019 and March 23, 2020, other than the Respondents and related parties.
According to the applicant, due to the alleged breaches described in the statement of claim, the class that is represented incurred financial losses estimated at many millions of shekels.
On December 28, 2020, the Company and the other Respondents filed their responses to the Motion for Certification. In its response, the Company sought to dismiss the motion for certification in limine, or alternatively to dismiss it on its merits. On March 18, 2021, the Applicant filed its response to the Respondents' responses to the Approval Petition. On April 19, 2021, a pre-trial hearing was held, and on September 30, 2021, an evidentiary hearing was held. On December 23, 2021, the Applicant submitted its summations. The Respondents are expected to submit summations on March 31, 2022, and the Applicant may submit a response to the Respondents' summations until April 10, 2022.
Based on the opinion of its legal counsels, the Company is of the opinion that since the decision regarding the Approval Petition relies mainly on expert opinions, it is unable to predict its chances of the petition being successful.

NOTE 23 - CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

2) Contingent claims to which the Company is a party (cont.)

(6) On April 16, 2020, a motion was filed with the Tel Aviv-Jaffa District Court (Economic Department) for certification of a class action against the Company, all members of the Company's board of directors, and the Company's present and former CEO (hereinafter - the "Respondents").
According to this motion, the applicant's allegation is that the Company refrained (allegedly) from reporting material information to the holders of its securities about the changes to the scope and terms of the hedging transactions on the price of oil and natural gas made by the subsidiary Ithaca Energy Ltd.
According to the applicant, the class that is represented is whoever purchased the Company's debentures from any of its series between January 1, 2020 and March 22, 2020 and held the debentures at the close of trading on March 22, 2020.
According to the applicant, due to the alleged breaches described in the statement of claim, the class that is represented incurred financial losses estimated at many millions of shekels.
On November 16, 2020, the Respondents filed their response (objection) to the motion for certification (hereinafter - the "Response to the Motion for Certification"), in which it was argued that the motion should be dismissed for several reasons. On December 21, 2020, the applicant filed a motion for discovery and viewing of documents (hereinafter - the "Motion for Discovery") and on January 17, 2021, the Respondents filed their response (objection) to the Motion for Discovery. On April 5, 2021, the Applicant submitted its response to the responses to the Approval Petition, and on April 19, 2021 a pre-trial hearing was held. In accordance with the Court's decision that was handed down as part of the hearing, the parties and the experts acting on their behalf are to hold a meeting in order to clarify the factual disputes and resolve them to the extent possible. Accordingly, the parties and the experts acting on their behalf communicated and held two meetings. On February 22, 2022, and further to update notices submitted by the parties to the Court, another pre-trial hearing was held. According to the Court's decisions, the parties are to inform the Court by March 31 2022 whether they reached an agreement as to the appointment of an expert on behalf of the Court, and in relation to the definition of the disputes he/she will decide on; if no such agreement is reached, a hearing will be set to be attended by the neutral expert and the parties' attorneys, and the disputes which the expert is required to decide on will be discussed in this meeting.

(7) On April 22, 2020, a motion for certification of a class action was filed with the Tel Aviv-Jaffa District Court (Economic Department) against the Company, including the Company's auditors, members of the committee for reviewing the Company's financial statements, the chairperson of the board of directors, and the former CEO (hereinafter - the "Respondents").

According to the motion, the main claim of the applicant is that the Respondents were misleading and did not disclose (allegedly) material information about the Company's business regarding a provision in the Company's financial statements for the risk of payment of tax in in the amount of NIS 170 million, (for capital gains tax liabilities of Delek Hungary arising from the disposal of shares of Delek US Holdings Inc. in 2012-2013), and that it was forbidden to cancel the provision in the Company's financial statements after receiving the District Court ruling, knowing that an appeal would be filed.
The applicant claims that the total damage is estimated at NIS 90 million for the entire class.

NOTE 23 - CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

2) Contingent claims to which the Company is a party (cont.)

(7) (cont.)
On November 1, 2020, the Company and its officers filed their response (objection) to the Motion for Certification, claiming that the Motion for Certification should be dismissed for several reasons.
On February 24, 2021, the court handed down its ruling, according to which the parties will work to reach a procedural arrangement authorizing the court to rule on the motion based on the evidence in the case without requiring questioning. On March 8, 2021, the Applicant informed the Court that in its opinion it is not possible to waive questioning in the case; however, the Applicant agreed to enter into a mediation proceeding. On March 16 2021, the Respondents informed the Court that in their opinion it would have been right to accept the Court's suggestion to reach a resolution in the case based on the pleadings without holding any questioning; however, under the circumstances of the case, it is their opinion that there is no point in holding a mediation proceeding. On December 13, a pre-trial hearing was held, after which an evidentiary hearing was scheduled for July 3, 2022.

The Company believes, based on the opinion of its legal counsel, that in view of the early stage of the proceeding, as set out above, the chances and risks of the claim cannot be assessed at this stage.

(8) On May 18, 2020, the Company received a motion for certification of a class action that was filed at the Tel Aviv-Jaffa District Court (Economic Department). The motion is directed at the Company, the members of the Company's board of directors, CEO, Deputy CEO, and CFO at the relevant date. As arises from the motion, the applicant's principal allegations refer to misleading information and (alleged) non-disclosure of material details about the Company's affairs and its financial situation in connection with the cash flow forecast published by the Company on March 8, 2020. The applicant claims that the damage incurred by him and the class he seeks to represent is the difference in the price of securities between their purchase price and their selling price or the price at which they will be sold and the damage was estimated at NIS 80 million for all members of the class.

According to the applicant of the motion, the damage for each class member will be calculated according to the actual figures for which details will be requested as part of the proceedings.
On December 13, 2020, the Respondents filed their response, dismissing the claims of the applicants and claimed that the Motion for Certification should be dismissed in limine. On January 17, 2021, the applicant filed his response to the Motion for Certification. A pre-trial was held on April 25, 2021, following which the Applicants filed - on July 20, 2021 - a motion to amend the Approval Petition. The Court allowed the motion, and on October 14, 2021, an amended motion for certification of a class action was filed. The Company filed its response to the amended certification motion, as well as a motion to dismiss the proceeding in limine, and alternatively a motion for stay of proceeding. Further to the above, the Applicant filed its response to the motion to dismiss the proceeding in limine; the Company responded to the Applicant's response; and according to permission obtained from the Court, the Applicant responded to the Company's response. A hearing in which the motion will be discussed was set for April 22, 2022.
The Company believes, based on the opinion of its legal counsel, that it is more likely than not that the claim will be dismissed.

NOTE 23 - CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

2) Contingent claims to which the Company is a party (cont.)

(9) On September 21, 2020, a motion was filed for certification of a claim as a derivative claim in the name of the Delek Foundation for Science, Education, and Culture Ltd. (hereinafter - the "Delek Foundation"), which is a wholly owned subsidiary of the Company. The motion was filed at the Central-Lod District Court and the respondents are the Delek Foundation, the Company, the controlling shareholder in the Company - Yitzhak Sharon Tshuva, the chairman of the Company's board of directors - Gabi Last, and a number of employees and officers in the Company, present and past, who held various positions in the Delek Foundation. The claim refers to the distribution of donations from the funds of the Delek Foundation, which, according to the applicant, were allegedly made contrary to the objectives of the Delek Foundation and without obtaining the approvals required in the Companies Law for transactions with interested parties. As a result, the court was petitioned to order, inter alia, the respondents (other than the Delek Foundation and the Company) to return to the Delek Foundation or compensate it for all donations made to the Western Wall Heritage Foundation in the seven years preceding the date of the motion, which the applicant claimed were made contrary to the objectives of the Delek Foundation.
On April 6, 2021, the Respondents filed their response to the motion, whereby, among other things, the motion should be dismissed in limine for the reasons listed in the statement of response, that the claim whereby the donation to The Western Wall Heritage Foundation contradicts the objectives of Delek Foundation is unfounded, and so is the claim that this donation constitutes an "interested party transaction". On June 24, 2021, the Applicant filed its reply to the Respondents' response. On October 25, 2021, a pre-trial hearing was held. To complete the picture, it should be added that the Delek Foundation filed to the Tel Aviv District Court a motion pursuant to Section 345F to the Companies Law, 1999, to ratify donations it previously donated to The Western Wall Heritage Foundation. The Registrar of Associations' response to the said motion has not yet been filed, and a decision regarding the motion is yet to be made. It should be noted that Mr. Amotz Horev (the Applicant in the proceeding held before the Central District Court) filed a motion to join as a party to this proceeding, and also filed a motion of withdrawal in connection therewith. No resolutions have been handed down in connection with those matters.
The Company believes, based on the opinion of its legal counsel and in view of the preliminary stage of the procedure, that its chances cannot be assessed, however it is clarified that in any case, even if the motion is accepted and the derivative action is filed, the derivative action does not create exposure to the Company itself.

(10) On December 23, 2020, a motion was filed with the Tel Aviv-Jaffa District Court (Economic Department) for certification of a derivative action (hereinafter - the "**Motion for Certification**") on behalf of the Company against members of the Company's board of directors (some who no longer serve in the Company), including a controlling shareholder in the Company, the Company's CEO, and two wholly-owned companies of the Company (hereinafter - the "**Respondents**").
According to the motion, the main claims of the applicant are that the Respondents approved and carried out a buyback of the Company's shares and debentures at the beginning of 2020 (January and February) amounting to NIS 86 million, alleging that this acquisition does not meet the distribution tests under the Companies Law, 1999. The applicant further raises allegations about the controlling shareholder's personal interest in the buyback.
The amount of the claim is at least NIS 86 million, which, according to the applicant, constitutes the amount that was paid for shares and debentures in the buyback in January and February 2020.

NOTE 23 - CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

2) Contingent claims to which the Company is a party (cont.)

(10) (cont.)
On May 4, 2021, the Company filed its objection to the certification motion. The Applicants' response to the Respondents' responses was filed on June 10, 2021, and a pre-trial hearing was held on June 23, 2021.

The Company believes, based on the opinion of its legal counsel, in view of the preliminary stage of the Motion for Certification, its chances cannot be assessed, however it is clarified that in any case, even if the motion is accepted and the derivative action is filed, the derivative action does not create exposure to the Company itself.

(11) Further to filing the motion as stated in Note 10G above, on May 11, 2021, holders of the Participation 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 Ltd. and the Israel Securities Authority, respectively.
On July 5, 2021, Cohen Development Oil and Gas Ltd., Y.N.U. Nominee Company Ltd. and J.O.E.L. Jerusalem Oil Exploration Ltd. (hereinafter - the "Applicants for Inclusion") filed a motion to join the proceeding as a party and for clarification of the provisions of the Arrangement; on July 18, 2021 the General Partner filed a response to the motion, and on July 26, 2021, the court ruled that the Applicants for Inclusion would be included in the proceeding as a party, and that there was no room to split the hearing. On October 13, 2021, a hearing was held on the motion. On November 10 and 14, 2021 some of the Respondents and the Israel Securities Authority submitted their response, respectively. The general partner and the limited partner, as well as the Company, filed their response on December 12, 2021. The judgment handed down on December 27, 2021, approved the motion to convene a general meeting to approve the arrangement, and it was also determined that the right of the Company, which is the controlling shareholder of the Partnership, to royalties from the Partnership will not require repeated approvals in the future. On February 23, 2022, an appeal on the judgment was filed with the Supreme Court, together with an injunction to stay its execution by the holders of the participating units in the Partnership. The hearing on the appeal was scheduled for June 27, 2022, and as at the date of approval of the financial statements, no decision has yet been handed on the motion to postpone implementation of the judgment.

NOTE 23 - CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

3) Additional claims

(1) Contingent claim to which Ithaca is a party

On May 26, 2015, a class action lawsuit was filed against Ithaca at the High Court of Justice in Alberta, Canada, by an investor who alleges that Ithaca published information that constitutes a false representation, regarding the expected timetable for completion of the installation of the floating production facility (FPF-1) in the GSA project. According to Ithaca, the claims of the class action lawsuit have no grounds. On March 7, 2019, a preliminary hearing was held on the motion. On June 24, 2019, a ruling was handed down certifying the motion for a certification of a class action, but because the plaintiff did not present evidence that Ithaca was acting unreasonably regarding the immediate report published on August 12, 2014. The period to which the class action refers, the period was shortened from October 7, 2014, to February 25, 2014. In December 2019, Ithaca filed the statements of claim of Ithaca and the CEO, and the parties agreed on a discovery protocol. Ithaca has insurance cover for this claim, which it believes is sufficient to cover its liability, if the claim is accepted. At this stage, Ithaca believes, based on the opinion of its legal counsel, that it is not possible to estimate the chances of the claim and the financial exposure arising from the claim, and therefore Ithaca did not include a provision for this claim in the financial statements.

(2) On April 27, 2020, the Company received a motion for certification of a class action that was filed at the Haifa District Court against a subsidiary of the Company, another company that purchased the land in trust for the subsidiary, and the directors of these companies, two of which are senior officers in the Company (hereinafter - the “Applicants”).
The motion was filed by Zalul Environmental Association and two private applicants. According to the Applicants, the respondents, jointly and severally, are liable for compensation to the general public in Israel (which falls within the definition of "the Class" as defined in the application and described below) for their alleged liability for pollution of groundwater and the marine environment, due to the existence of hazardous and pollutive materials in the area purchased by the subsidiary in 2011 and which is south of Acre, at the site where Electrochemical Industries operated (hereinafter - the “**Site**”). According to the Applicants, these materials are continuing to pollute the soil at the Site while spilling over into the environment, damaging the groundwater, seawater, and nature.
According to the Applicants, when the subsidiary acquired ownership of the Site, it assumed the liability for damage caused due to materials that remained at the Site since its acquisition, and these materials continued to leak or spill over in the period since control was transferred. The Applicants further claim that when the subsidiary acquired ownership of the Site, it assumed the responsibility for action to prevent the continuation of pollution and to clean the land.

The class that is represented is defined in the motion as any residents and citizens of Israel who use the services of Acre's coastal environment, or any other class as the court may determine. At this time, there is no way to estimate the size of the class underlying the level of compensation that the applicants claim is payable by the respondents to each of the class members. The motion stipulates an amount of “at least NIS 2.5 million” as compensation for the alleged damage that the applicants claim was incurred by the class due to the continuation of pollution in the period when the Site was under the control of the subsidiary. In addition, the applicants request that the court order the respondents to pay of all the restoration expenses, which they estimate at hundreds of millions of shekels, as well as the environmental damage that they claim that the respondents must pay to the public for compensation.

NOTE 23 - CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (cont.)

A. Contingent liabilities (cont.)

3) Additional claims (cont.)

(2) (cont.)

Some of the compensation components were not included in the motion, therefore the exact amount of the claim is unknown.
In addition, the claim includes a motion for an injunction directed to the respondents and requiring them to take steps to prevent the pollution, including preparation of a plan to control pollution. The motion does not specify the actions required under these remedies, and their cost cannot be estimated.

On November 22, 2020 the Respondents filed their response to the Motion in which they argued that the Motion should be summarily dismissed and alternatively dismissed on its merit as it does not establish a factual and legal foundation. The Petitioners replied to the Respondent's response and the motion to dismiss filed by them on February 28, 2021 and also attached to their reply, a supplemental expert opinion on their behalf and an additional expert financial opinion, that was not included in the actual Motion for Certification. The Respondents filed a motion to strike the reply to their response (the "motion to strike"), on the ground that this claim deviated from the permissible procedural framework. On March 22, 2021, a reply to the response to the motion to strike was filed with regard to the private Respondents and, among other things, they claimed that no cause of action was established for a counter claim. On April 13, 2021, the first preliminary hearing was held during which the court decided not to strike the reply to the response, but to permit the Respondents to respond to it, and the Respondents filed their reply together with supplementary expert opinions on August 15, 2021. The case was scheduled for another preliminary hearing on October 5, 2021 and the court also referred its decision to the Attorney General and ordered the Attorney General representative to file their position 10 days prior to the hearing, and to appear at the hearing and announce whether they would join the proceedings and state their position on behalf of the relevant authorities (the Ministry of Environmental Protection and the Water Authority). At the request of the Attorney General, the hearing was postponed until April 27, 2022, and the Attorney General's position is expected to be filed by April 13, 2022.

The Company believes, based on the opinion of its legal counsel, that at this preliminary stage, it is not possible to assess the likelihood that the motion will be accepted against any of the Respondents and therefore it is not possible to assess the financial exposure to the Respondents in general and the Company in particular, in respect of the motion.

NOTE 23 - CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (cont.)

B. Guarantees

(1) As at December 31, 2021, there are guarantees for agreements with third parties amounting to NIS 31 million.
(2) The Company signed an unlimited performance guarantee in favor of the Republic of Cyprus to secure full implementation of all undertakings of the Partnership. See also Note 12E above.
(3) As part of the Partnership's activities in the Leviathan Project and in the Yam Tethys project, the Partnership provided the Israel Tax Authority (Customs) with a self-guarantee in the amount of NIS 67.6 million and NIS 57.7 million, respectively.
(4) In the matter of Guarantees provided by the Partnership To secure the transmission agreement for the purpose of exporting gas to Egypt, see Note 12O above.

C. Agreements

Material agreements by the Group companies:

(1) For information about natural gas and condensate supply agreements in the Leviathan Project, see Note 12L.
(2) As at December 31, 2021, Ithaca has agreements for investments in oil and gas assets amounting to USD 65.5 million (NIS 211 million).

D. Indemnification and insurance of officers

(1) The Group has undertaken to indemnify all entitled officers of the Group for any action taken in virtue of their service as officers in the Group in the past, present and future. The Group has undertaken to indemnify all entitled officers of the Group for any action taken in virtue of their service as officers in the Group in the past, present and future.
(2) The Group has decided to exempt officers of the Group from their liability under the duty of care toward the Group pursuant to Chapter three, Part six of the Companies Law, 1999.

(3) The Company has insured the liability of officers for a total liability limit of USD 150 million until June 2020. As the term of the policy ended on June 30, 2020, and in view of the dramatic adverse changes in the directors and officers liability insurance market, as will be explained below, especially in the wake of the Covid-19 Crisis, in June 2020 the Company exercised its right under the previous policy to purchase runoff insurance that would cover events of professional liability for a further period of seven years applicable from July 1, 2020. Under the extension, the policy will continue to apply for claims filed during the runoff period for the first time due to events prior to the commencement of the runoff period of July 1, 2020, within the limit of liability under the previous policy, i.e., for a total amount of USD 150 million per claim and cumulatively (including the extended disclosure period of 7 years). The premium that is paid for the runoff period is USD 1.5 million.

NOTE 23 - CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (cont.)

D. Indemnification and insurance of officers (cont.

(3) (cont.)
As the Company was informed by its insurance advisor, the D&O liability insurance market changed dramatically at the time when the Company renewed its policy, after many insurers incurred heavy losses. In view of the numerous claims in the D&O liability insurance market and due to the significant adverse changes in the industry in general, and with regard to corporations that operate in the energy sector in particular, among other things, due to both the global and the domestic economic crisis resulting from the outbreak of the Covid-19 pandemic, when renewing the policy, it was difficult to purchase a new insurance policy that would cover claims filed due to events from July 1, 2020 onwards (hereinafter - the "New Current Policy") with terms similar to those of the policy that expired on June 30, 2020, and if such New Current Policy could be obtained, the amount of the premium and deductible required thereunder are significantly higher than the costs and terms of the previous policy, as set out above. On August 25, 2020, after approval by the Company's compensations committee and board of directors, the Company's general meeting approved the purchase of the New Current Policy, which reflects the best insurance offer that could be purchased under the circumstances at the time, with limit of liability of USD 25 million per claim and cumulatively, with the addition of reasonable legal fees, at a premium of USD 2.629 million and deductible of up to USD 750 thousand for a securities claim, and which will not apply for the officers without the Company's ability to indemnify them. Furthermore, it was decided to authorize the Company's management to purchase an increase in insurance coverage of up to an additional USD 75 million (in addition to the existing USD 25 million), in exchange for an additional premium, so that the total annual premium for the New Current Policy does not exceed USD 4 million.
In August 2020, the Company acquired additional insurance coverage with a liability limit of USD 6 million and an annual premium of USD 575 thousand.

In accordance with the Company's revised compensation policy dated February 1, 2022, on June 30, 2021, the Company's Compensation Committee approved the renewal of the officers' insurance policy from July 1, 2021 through June 30, 2022. with limit of liability of USD 31 million per claim and cumulatively, with the addition of reasonable legal fees, at an annual premium of USD 3.17 million and deductible of up to USD 750 thousand for a securities claim, that will not apply for the officers in the absence of the Company's ability to indemnify them, in accordance with the previous policy that expired on June 30, 2021.

NOTE 24 - LIENS

A. To secure the debentures and loans from others of the Company and consolidated companies and partnerships, amounting to NIS 14.9 billion as at December 31, 2021, collateral was provided as follows:

- The Company and its subsidiaries recorded fixed and floating liens on their non-current and current assets, including inventories, specific deposits, the right to trade receivables, certain oil and gas assets, the right to receive overriding royalties, specific liens on certain shares of investees and participation units of NewMed Energy and mortgages on all the companies' rights in properties for which credit was granted.

- Subsidiaries have undertaken to meet certain conditions, including to refrain from recording a lien in favor of others without the prior agreement of the lending corporations

- For undertakings to meet financial covenants, see Note 17 and Note 18.

B. For information about liens and financial covenants for investments in oil and gas assets and for the issue of debentures by the Partnership and special-purpose companies, see Note 12k and 12L.

NOTE 25 - EQUITY

A. Composition of share capital

	December 31, 2021		December 31, 2020	
	Authorized	Issued and paid up	Authorized	Issued and paid up
	No. of shares			
Ordinary shares of NIS 1 par value each	26,000,000	18,287,493	26,000,000	17,159,717
Preference shares	2,000,000	-	2,000,000	-

The shares are listed on the TASE.

B. Changes in capital in 2021 and 2020

(1) On May 17, 2020, the Company completed an issue of capital, under which 1,371,350 ordinary shares of the Company, 329,124 options (Series 7), and 329,124 options (Series 8) were allocated.
The immediate consideration (before offering expenses) received by the Company for the offering amounts to NIS 137 million (NIS 136 million after offering expenses).

(2) On August 4, 2020, the Company completed an issue of capital, under which 2,198,200 ordinary shares of the Company, 758,000 Options (Series 9), 379,000 Options (Series 10), 758,000 Options (Series 11), and 379,000 Options (Series 12) were allocated. The immediate consideration (before offering expenses) received by the Company for the offering amounts to NIS 176 million (NIS 172 million after offering expenses).

Until December 31,2020,53 Options (Series 7) were exercised for a non-material amount, and the remaining Options (Series 7) expired.
In addition, 232,272 Options (Series 8) were exercised into an identical number of the Company's shares, in consideration for NIS 23 million, and the remaining Options (Series 8) expired; in addition, Options (Series 9) were exercised into 758,000 shares of the Company in consideration for NIS 57 million, and 255,242 Options (Series 11) were exercised into an identical number of the Company's shares, in consideration for NIS 20 million.

(3) On December 16, 2020, the Company completed an issue of capital under which 361,000 shares of the Company were allotted. The proceeds of the issuance (before issuance expenses) amounted to NIS 40 million (NIS 38 million).

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

(5) 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. The immediate consideration from the issuance (before issuance expenses) amounted to NIS 50 million.

NOTE 25 - EQUITY (cont.)

B. Changes in capital in 2021 and 2020 (contd.)

(6) In October 2021 the Company issued 287,910 shares of NIS 1 par value each and 82,260 warrants (Series 14) to the public. The immediate consideration from the issuance (before issuance expenses) amounted to NIS 76 million.
During the reporting period, 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, in November 2021, 4,000 Options (Series 11) were exercised for 4,000 shares with NIS 1 par value of the Company.
Below is the balance of the options in circulation, as at December 31, 2021, and their terms; each option is exercisable for one ordinary share of the Company.

	No. of options December 31, 2021	Exercise price NIS	Date of birth
Series 11	498,758	150	June 30, 2023
Series 12	259,792	150	May 31, 2023
Series 13	47,266	300	August 5, 2022
Series 14	82,260	334	April 14, 2024

Subsequent to the balance sheet date and until immediately prior to the financial statements' approval date, a total of 300 warrants (Series 12) were exercised into 300 shares of NIS 1 par value each of the Company, for a total consideration of negligible amount. After these exercises, the Company's issued and paid-up share capital totalled 18,287,793 shares of NIS 1 par value, each. Warrants currently in circulation are as follows: 498,758 warrants (Series 11), 259,492 warrants (Series 12); 47,266 warrants (Series 13) and 82,260 warrants (Series 14).

C. Treasury shares

As at December 31, 2021, a wholly-owned subsidiary partnership, Delek Financial Investments - Limited Partnership (hereinafter - the “Subsidiary Partnership") holds 586,422 Company shares of NIS 1 par value.
Information about acquisitions and disposals by the Subsidiary Partnership in 2019-2021:

	Par value quantity	Acquisition amount (derecognition) NIS millions
Balance as at January 1, 2019	242,939	146
2019 - acquisitions	207,821	111
Balance as at December 31, 2019	450,760	257
2020 - acquisitions	135,662	60
Balance as at December 31, 2020 and December 31, 2021	586,422	317

*) Cost of shares exercised

NOTE 26 - COST OF REVENUES

	For the year ended on December 31		
	2021	2020	2019
	NIS millions		
Other production expenses and costs	-	-	1
Depreciation, depletion and amortization	1,649	1,671	980
Production cost of oil and gas sold and oil and gas exploration expenses, net	2,015	1,865	920
	3,664	3,536	1,901

NOTE 27 - GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended on December 31		
	2021	2020	2019
	NIS millions		
Salary and incidentals	62	95	55
Depreciation and amortization	1	2	3
Professional services	36	107	41
Others	45	37	22
	144	241	121

NOTE 28 - OTHER REVENUES (EXPENSES), NET

	For the year ended on December 31		
	2021	2020	2019
	NIS millions		
Reversal of the provision for impairment of oil and gas assets, property, plant and equipment and investment property, net	890	(1,846)	(829)
Goodwill impairment of intangible assets *)	-	(848)	-
Profit on disposal of assets	-	-	27
Loss on disposal of oil and gas assets **)	(517)	-	(3)
		-	-
Profit (loss) from disposal of investees	-	(254)	5
Other income (expenses), net	48	(25)	(65)
	421	(2,973)	(865)

*) For further information see Note 12C.

**) The loss in 2021 includes an updated sale price of the Tamar Reservoir in the period prior to finalizing the transaction for total of NIS 410 million.

NOTE 29 - FINANCE INCOME AND EXPENSES

	For the year ended December 31		
	2021	2020	2019 *)
	NIS millions		
A. Finance income			
Net change in the fair value of financial assets at fair value through profit or loss.	-	-	42
Income from investments	3	7	46
Dividends from securities accounted for at fair value in other comprehensive income	-	1	38
Derivative financial instruments	-	-	49
Profit from disposal of securities through other comprehensive income	-	3	-
Finance income from loans to buyers	-	6	6
Revaluation of royalties receivable and loans provided for the sale of oil and gas assets	113	321	302
Others	22	44	77
	138	382	560
B. Finance expenses			
Finance expenses for credit from banks, debentures and others	1,583	1,572	1,146
Net change in the fair value of financial assets at fair value through profit or loss.	16	167	19
Derivative financial instruments	163	291	17
Revaluation of contingent consideration for oil and gas assets	-	47	3
Change in liability for disposal	123	152	17
Exchange differences from a loan to buyers	-	-	8
Loss from disposal of an investment in a financial asset at fair value through profit or loss	-	35	-
Others, net	48	30	9
	1,933	2,294	1,219

*) Reclassified, see Note 10H.

NOTE 30 - INCOME TAXES

A. Tax laws that apply to the Group companies

Income Tax (Inflationary Adjustments) Law, 1985

According to the law, until 2007, the results for tax purposes are adjusted for the changes in the CPI.
In February 2008, the Knesset passed an amendment to the Income Tax (Inflationary Adjustments) Law, 1985, which limits the scope of the Adjustments Law from 2008 onwards. As from 2008, the results for tax purposes are measured at nominal values, with the exception of certain adjustments for changes in the Israeli CPI up to December 31, 2007.

B. Tax rates applicable to Group companies

1) Group companies and consolidated partnerships in Israel

The rate of corporate tax in Israel in 2019, 2020 and 2021 is 23%.
An association of individuals is taxed on real capital gain at the corporate tax rate in the year of the sale.

In August 2013, the Law for Changing National Priorities (Legislative Amendments for Achieving Budgetary Goals for 2013-2014), 2013 was published. The Law includes provisions for changes in revaluation gains taxes, as from August 1, 2013, however the entry into force of the provisions for revaluation gains is subject to publication of regulations defining "retained earnings exempt from corporate tax" and regulations that define provisions for preventing double taxation that is liable to apply to assets outside of Israel. As of the date of approval of these financial statements, these regulations have not yet been published.

For information regarding income tax rules and key arrangements in NewMed Energy, including regarding the taxation of the partnership as from 2022, see Note 12R.

2) Group companies abroad

Ithaca is subject to UK tax laws, which include corporate tax income, supplementary charge tax and petroleum revenue tax. As at December 31, 2019, the effective tax rate applicable to oil and gas companies in the UK was 30%, the supplementary charge tax was 10%, and the tax on oil revenues, if applicable, was 0%.

NOTE 30 - INCOME TAXES (cont.)

C. Tax assessments

1) In December 2021, the Company and the Israel Tax Authority signed the 2015-2018 assessment agreements; therefore, the Company's tax assessments through tax year 2018 are final tax assessments. It should be noted that the said assessment agreements did not have an effect on the financial statements.

2) In 2021 Delek Energy received best judgment tax assessments for the 2015-2018 tax years under Section 145(A)(2)(5) of the Income Tax Ordinance. The main dispute refers to the Company's right to allow deduction of finance expenses that it incurred. Subsequent to the balance sheet date, the Company reached an agreement with the Israel Tax Authority and accordingly, an assessment agreement was signed for 2015-2018. The tax liability in the Group's books of accounts includes the effect of the assessment agreement. It is noted that, according to the agreement, there was no material effect on the Group's profit and loss for 2021.

3) It should be noted that the Company and Delek Energy's tax returns for 2016 and thereafter were drawn up based on temporary tax certificates of NewMed Energy.
In that context, it should be noted that in view of the disputes between the Partnership and the Israel Tax Authority, and the disagreements as to the amount of the partnership's taxable income in 2016 to 2028. The disputes are mainly about the interpretation of how to recognize finance expenses and other expenses incurred in effect by the Partnership. As of the approval date of the financial statements, according to the Tax Assessment, and if all the claims of the Israel 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 participation units, in the amount of USD 150 million (the Group's share - NIS 81 million). The Partnership filed reasoned objections to the tax assessments.
In the opinion of the Partnership, based on the opinion of its professional advisors, the chances that the key claims of the Partnership will be allowed, and at the very least, allowing the deduction of the expenses, which are the subject matter of the disputes, in the years after 2016-2018 are higher than 50%.

4) The majority of the other subsidiaries have received tax assessments that are considered final up to and including 20185) Delek US

In prior years, the Group (through its subsidiary Delek Hungary) sold shares of Delek US. Orders were issued for Delek Hungary in connection with the calculation of the capital gain from the disposal of the shares of Delek US (the main objection was the ability of Delek Hungary to offset, from the capital gain of Delek Hungary, the distributable profits of Delek US that were not distributed as a dividend). Further to the hearings held in the District Court and thereafter in the Supreme Court, on January 26, 2020, the Supreme Court handed down its ruling in which it allowed the position of the Assessment Officer and overturned the District Court's ruling.

In view of the above, the Group included a provision in the financial statements as at December 31, 2020 for the tax payable (plus interest and linkage differences), amounting to NIS 213 million, which was included under profit (loss) from discontinued operations, net. It should be noted that in January 2021, Delek Hungary and the Tax Authority signed an agreement regulating the payment schedule for the debt over three years until March 30, 2024.
In addition, it should be noted that the Company received a motion for certification of a class action for the provision; see Note 23A2(7) above.

NOTE 30 - INCOME TAXES (cont.)

D. Carryforward losses for tax purposes

As at December 31, 2021, the Company has carryforward losses of NIS 2 billion for tax purposes (of which, an amount of NIS 1.2 billion is capital losses). No deferred tax assets were recognized for these losses, due to the uncertainty regarding future taxable income.

It should be noted that as at December 31, 2021, Ithaca has carryforward tax losses amounting to USD 1.3 billion (partially due to recognition of accelerated depreciation for tax purposes, as well as from tax benefits to encourage investments in oil and gas in the North Sea, which contributed to a significant increase in losses for tax purposes), and on the other hand, Ithaca has temporary differences in respect of accelerated depreciation of oil and gas assets in the North Sea in the amount of USD 0.8 billion (meaning, net differences of USD 0.6 billion). The financial statements include deferred tax assets for the net differences amounting to USD 221 million. It should be noted that the net differences arose mainly in the development period of material oil and gas assets. Ithaca expects that in the coming years, its taxable income will be sufficient to utilize the net differences.

E. Deferred taxes

Composition:

	Balance sheet		Income statement		
	December 31		For the year ended December 31		
	2019	2020	2021	2020	2019 *)
	NIS millions				
Financial instruments presented at fair value	514	79	(157)	157	(34)
oil and gas assets	(3,142)	(3,060)	(86)	891	317
Carryforward losses for tax purposes	1,556	2,309	(705)	(758)	256
Liabilities for disposal of assets	675	558	141	268	32
Other temporary differences	(1)	(9)	(1)	(7)	-
Deferred tax income			(808)	551	571
Deferred tax liabilities, net	(398)	(123)			

As at December 31, 202,1 and 2020, the deferred taxes for Group companies in Israel are calculated according to the tax rate of 23% based on the expected applicable tax rate at the time of exercise. The deferred taxes for the wholly owned subsidiary in the UK are calculated according to a tax rate of 40%.

NOTE 30 - INCOME TAXES (cont.)

E. Deferred taxes (cont.)

Deferred taxes for items recognized in other comprehensive income

	For the year ended December 31		
	2021	2020	2019
	NIS millions		
Taxes for cash flow hedges	39	6	59

F. Income taxes (tax benefits) in the statements of income

	For the year ended December 31		
	2020	2019 *)	2018 *)
	NIS millions		
Current taxes	402	138	153
Deferred taxes (see also Section E above)	808	(551)	(571)
Taxes for prior years	37	7	1
	1,247	(406)	(417)

NOTE 30 - INCOME TAXES (cont.)

G. Adjustment of theoretic tax

Below is a presentation of the tax amount that would be applicable if all the income was taxable at the regular corporate tax rates in Israel and the tax amount charged to the statement of income for the reporting year:

	For the year ended December 31		
	2021	2020	2019
	NIS millions		
Profit (loss) before taxes on income	2,835	(2,001)	(213)
Statutory tax rate	23%	23%	23%
Tax computed at the statutory tax rate	652	(460)	(49)
Increase (decrease) in tax liabilities for:			
Utilization of carryforward losses from previous years	(4)	(4)	(11)
Losses and other differences for which no tax benefit was recorded		237	99
Share of non-controlling interests in gains of the Partnership	-	(133)	(88)
Recognizing, for the first time, a tax reserve in respect of the share of non-controlling interests in the profits of consolidated partnerships (see Note 12R).	306	-	-
Company's share the results in companies and partnerships accounted for at equity, net	(10)	2	5
Current taxes for prior years	37	7	1
Deferred taxes for prior years	(21)	(46)	(138)
Tax benefit for foreign oil and gas assets	(99)	(99)	(209)
Other tax benefit for foreign tax assets	(31)	(20)	(29)
Adjustments for different tax rate in merged companies	446	(328)	(113)
Exempt revenue, unrecognized expenses and other adjustments, net	(29)	438	115
	1,247	(406)	(417)

*) Reclassified, see Note 10H.

H. The Company is registered for value added tax purposes as a joint licensed dealer (consolidation of dealers) together with some of its subsidiaries.

NOTE 31 - NET EARNINGS (LOSS) PER SHARE

A. Quantity of shares and the earnings (loss) attributable to the shareholders of the Company used to calculate the net earnings (loss) per share from continuing operations:

	For the year ended December 31					
	2021		2020 *)		2019	
	Weighted no. of shares	Net profit (loss)	Weighted no. of shares	Net profit (loss)	Weighted no. of shares	Net profit
	thousands	NIS millions	thousands	NIS millions	thousands	NIS millions
For calculation of basic net earnings (loss)	17,179	1,348	13,271	(1,659)	11,628	(113)
Adjustment for the Group's portion in basic loss (earnings) per share of investees	-	44	-	10	-	23
Group's portion in diluted earnings (loss) per share of investees	-	(44)	-	(10)	-	(23)
Effect of potential ordinary shares, diluted **)	-	-	-	-	-	-
For calculation of diluted net earnings (loss)	17,179	1,348	13,271	(1,659)	11,628	(113)

B. Quantity of shares and the earnings (loss) attributable to the shareholders of the Company used to calculate the net earnings (loss) per share from discontinued operations:

	For the year ended December 31					
	2021		2020 *)		2019	
	Weighted no. of shares	Net profit (loss)	Weighted no. of shares	Net profit (loss)	Weighted no. of shares	Net profit
	thousands	NIS millions	thousands	NIS millions	thousands	NIS millions
For calculation of basic net earnings (loss)	17,179	84	13,271	(158)	11,628	347
Adjustment for the Group's portion in basic loss (earnings) per share of investees	-	-	-	267	-	(296)
Group's portion in diluted earnings (loss) per share of investees	-	-	-	(267)	-	296
Effect of potential ordinary shares, diluted **)	-	-	-	-	-	-
For calculation of diluted net earnings (loss)	17,179	84	13,271	(158)	11,628	347

*) Retrospective reconciliation - see Note 10H

**) In 2019-2021, the anti-dilutive effect of convertible securities was not taken into account.

NOTE 32 - 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 in the reporting year and in the comparative periods was performed under the Tamar joint venture, the Ratio Yam joint venture, the Yam Tethys joint venture, and other oil rights, mainly offshore the coast of Israel through NewMed Energy. In December 2021, NewMed Energy sold its entire holdings in the Tamar Project (see also Note 12C).

  Development and production of gas and oil 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.

- Other segments included mainly desalination activity up to the date of the sale of the investment in IDE, during 2020 as set out in Note 10J above. In addition, as from the fourth quarter of 2020, Delek Israel's operations are included under other segments, the investment in which is accounted for in accordance with the equity method as from the date of sale of its control, and after the split of Delek Israel's real estate assets into Delek Israel Properties in the second quarter of 2021, this section includes the operating results of Delek Israel Properties.

It should be noted that operations presented under profit (loss) from discontinued operations (including the operations of Delek Israel up to the date of sale of control) (see Note 10H above), are not presented as reportable segments.

B. Segment reporting

1) Revenue

	For the year ended December 31		
	2021	2020	2019 *)
	NIS millions		
Oil and gas exploration and production in Israel and its surroundings **)	3,231	2,667	1,332
Development and production of oil and gas assets in the North Sea	4,736	4,052	2,062
Other segments	6	8	22
Inter-segment and adjustments **)	-	(56)	(60)
Total in statement of income	7,973	6,671	3,356

*) Reclassified, see Note 10H.

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

NOTE 32 - OPERATING SEGMENTS (cont.)

B. Segment reporting (cont.)

2) Segment results – operating profit (loss)

	For the year ended December 31		
	2021	2020	2019 *)
	NIS millions		
Oil and gas exploration and production in Israel and its surroundings	1,544	705	649
Development and production of oil and gas assets in the North Sea	2,939	(734)	(104)
Other segments	116	24	(63)
Adjustments **)	31	(89)	(55)
Operating profit (loss)	4,630	(94)	427

*) Reclassified, see Note 10J.

**) Mainly administrative and general expenses attributable to the Staff Companies

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

	For the year ended December 31		
	2021	2020	2019 *)
	NIS millions		
Oil and gas exploration and production in Israel and its surroundings	362	117	476
Development and production of oil and gas assets in the North Sea	1,282	(1,132)	(128)
Other segments	115	24	(30)
Adjustments **)	(411)	(668)	(431)
Net earningsProfit (loss) per shareFrom continuing operations attributable to shareholders of the Company	1,348	(1,659)	(113)

*) Reclassified, see Note 10H.

**) Mainly administrative and general expenses, financing and taxes attributable to the Staff Companies

NOTE 32 - OPERATING SEGMENTS (cont.)

B. Segment reporting (cont.)

4) Segment assets

	December 31	
	2021	2020
	NIS millions	
Oil and gas exploration and production in Israel and its surroundings	15,369	19,181
Development and production of oil and gas assets in the North Sea	14,269	13,507
Other segments	253	202
	29,891	32,890
Investments in associates		
Oil and gas exploration and production in Israel and its surroundings	196	266
Other segments	273	420
	469	686
Assets not attributed to segments	1,041	851
Total consolidated assets	31,401	34,427

5) Segment liabilities

	December 31	
	2021	2020
	NIS millions	
Oil and gas exploration and production in Israel and its surroundings	10,163	13,433
Development and production of oil and gas assets in the North Sea	11,091	9,743
Other segments	-	43
	23,254	23,219
Liabilities not attributed to segments	4,959	5,958
Total consolidated liabilities	26,213	29,177

NOTE 32 - OPERATING SEGMENTS (CONT.)

B. Segment reporting (cont.)

6) Acquisition cost of long-term assets

	For the year ended December 31		
	2021	2020	2019 *)
	NIS millions		
Oil and gas exploration and production in Israel and its surroundings	133	355	2,347
Development and production of oil and gas assets in the North Sea (Including in business combinations)	1,303	857	8,317
Other segments	1	12	87
	1,437	1,224	10,751

7) Amortization and depreciation (including impairment)

Oil and gas exploration and production in Israel and its surroundings	319	1,080	221
Development and production of oil and gas assets in the North Sea	1,304	2,401	1,395
Other segments	1	34	252
	1,624	3,515	1,868

*) Reclassified, see Note 10H.

C. Geographic information

The revenue of the oil and gas exploration and production segment in the North Sea region is mainly from sales to customers in the UK and the assets used in this segment are in the UK. Most of the revenue of other segments is from sales to customers in Israel and most of their assets are in Israel.
Revenues of the oil and gas exploration and production segment in the North Sea mainly arise from sales to customers in the UK, and the assets used by the segment are located in the UK. The assets of the oil and gas exploration and production segment in Israel are located in Israel's territorial waters, except for Aphrodite, which is located in Cyprus (see Note 12A). Approximately 30% of the revenues of the oil and gas exploration and production segment in 2021 arise from sales to a Jordanian customer and, 34% - from a customer in Egypt. Most of the revenues of other segments arise from sales to customers in Israel, where most of their assets are located.

NOTE 33 - INTERESTED AND RELATED PARTIES

A. CEO of the Company

In December 2020, the Company's board of directors, and in November 2020 - the Company's compensation committee approved the payment of a bonus to the CEO. On February 2021, a bonus in the amount of NIS 600 thousand was paid to the CEO of the Company for 2019. In June 2021, the Compensation Committee approved the payment of a special bonus totaling NIS 480 thousand to the CEO in respect of 2021.
Subsequent to the balance sheet date, on March 29, 2022, the Board of directors approved – following approval by the compensation committee – an annual bonus of NIS 1,.421 thousand to the CEO for 2021.

B. Chairman of the board of directors

In December 2020, the Company's board of directors approved, and in November 2020, the Company's compensation committee approved the payment of a bonus amounting to NIS 500 thousand to the chairman of the board of directors.
On February 1, 2021, in December 2020, the Company's board of directors approved, and in November 2020 - the Company's compensation committee approved - the payment of a NIS 500 thousand bonus to the chairman of the board. In October 2021, the general meeting approved - after approval by the Company's board of directors - the payment of a NIS 368 thousand special bonus to the Chairman of the Board of Directors in respect of 2021.

C. For further information about guarantees provided to related parties, see Note 23B.

D. Balances with interested and related parties

	December 31	
	2021	2020
	NIS millions	
Trade receivables (mainly associates)	-	10
Other receivables	5	5
Long-term loans, deposits, and receivables	52	74
Loans to associates	1	1
Other payables	2	6

NOTE 33 - INTERESTED AND RELATED PARTIES (cont.)

E. Transactions with interested and related parties

	For the year ended December 31		
	2021	2020	2019
	NIS millions		
Sales (mainly associates)	18	18	176
Purchases	-	-	22
Sales, administrative and general expenses	-	-	91
Finance income (expenses)	-	(2)	42
Loss from discontinued operations, net	-	-	55

F. Benefits for key managers (including directors) employed in the Group

The senior managers and some of the members of the board of directors in the Company are eligible, in addition to their salary, to non-monetary benefits, such as the use of a company car. In addition, the Company contributes to defined post-employment benefit plans.

Benefits for key managers (including one director) employed in the Company:

	For the year ended December 31					
	2021		2020		2019	
		Amount		Amount		Amount
	No. of persons	NIS millions	No. of persons	NIS millions	No. of persons	NIS millions
Short-term benefits	8	32	9	28	6	21

Benefits to the Company's directors who are not employed by the Company:

	For the year ended December 31					
	2021		2020		2019	
		Amount		Amount		Amount
	No. of persons	NIS millions	No. of persons	NIS millions	No. of persons	NIS millions
Total benefits for non-employee directors *)	6	1	8	2	6	1

*) Including directors' compensation for the daughter of the controlling shareholder in the amount of NIS ___ thousand in 2021 (in 2020, NIS 334 thousand; in 2019, NIS 230 thousand).

NOTE 33 - INTERESTED AND RELATED PARTIES (cont.)

G. Agreements with the controlling shareholder

1) Agreements with the controlling shareholder to repay expenses

The Company's controlling shareholder has served as a director in the Company since September 18, 2014. The controlling shareholder does not receive directors' fees for his position as director. The controlling shareholder provides, from time to time as requested by the Company's management, management advice and contributes of his time and numerous skills in promoting the interests and business if the Company and its subsidiaries in Israel and abroad.
On January 6, 2016, the general meeting of the Company approved a mechanism for reimbursement of expenses to the controlling shareholder for a three-year period commencing January 1, 2015. On February 28, 2018, the general meeting of the Company approved an extension of the reimbursement mechanism for Yitzhak Tshuva for an additional 3 years, from January 1, 2018 to December 31, 2020. On March 22, 2021, the Company's compensation committee approved an extension of the reimbursement mechanism for Yitzhak Tshuva, for an additional three years, from January 1, 2021 to December 31, 2023, subject to the approval of the Company's board of directors and general meeting.
Under the mechanism, the Company will reimburse expenses incurred and expended relating to the aforesaid advice, and all against duly produced invoices. The expense reimbursement mechanism includes a closed list of the types of expenses to be reimbursed and does not have a limit to the amount of the expenses. The expenses will be reviewed according to nature, and accepted control and supervision mechanisms will be set up for reviewing the necessity of the reimbursed expenses. In 2020, the Company reimbursed expenses for a total of NIS 242 thousand. In 2019, Yitzhak Tshuva was paid NIS 84 thousand for expenses in 2017-2018.
In respect of 2021, reimbursement of expenses totaling NIS 50 thousand was paid.

2) Agreement with the controlling shareholder in the office building

The Company's audit committee approved the agreement with a private company of the controlling shareholder, for rental of space in an office building acquired by the Company under market conditions according to the opinion prepared by an independent real estate appraiser to determine the appropriate rental fee for the leased area.
The lease period is from September 19, 2019 until September 18, 2021 and includes an option to extend for two additional periods ending on September 18, 2031. The lessee notified the Company of the exercise of part of the first option period for one year, meaning, until September 18, 2022. In 2021, the lessee was charged an amount of NIS 552 thousand (before VAT) for rent in 2021. In 2020, the lessee was charged an amount of NIS 516 thousand for rent in 2020. In 2019, the lessee was charged an amount of NIS 491 thousand for rent in 2019.

G. Agreements with the controlling shareholder (cont.)

3) The highest balance for 2021 is the balance as at January 1, 2021, which amounts to NIS 1.2 million (repaid during the reporting year).

H. In the regular course of business, the Group companies conduct transactions at market prices and at regular credit terms with corporations that are related parties, at insignificant amounts.

Principal partnerships and investees

Holding company	Company	Rate of holding and control of the investee as at December 31 2020 (1)	Rate of holding of the Group in final retention as at December 31 2020 (1)	Presentation
		%	%	
Delek Group Ltd.	Delek Petroleum Ltd.	100	100	Consolidated
	Delek Infrastructure Ltd.	100	100	Consolidated
	Delek power plants - Limited Partnership	100	100	Consolidated
	Delek Energy Systems Ltd.	100	100	Consolidated
	NewMed Energy – Limited Partnership (2)	5.06	54.18	Consolidated
	Yam Tethys Joint Venture	4.441	33.5	proportionate consolidation
	Delek Sea Maagan (2011) Ltd.	100	100	Consolidated
	Israel Delek Holdings Group Ltd.	100	100	Consolidated
	Delek Financial Investments 2012 - Limited Partnership	100	100	Consolidated
	DKL Investments Limited	100	100	Consolidated
Delek Petroleum Ltd.	Delek The Israel Fuel Corporation Ltd.	25	25	Associate
	Delek Israel Properties (D.P.) Ltd.	25	25	Associate
	Ltd. Holding Delek Hungary	100	100	Consolidated

(1) Rate of direct and indirect ownership and control

(2) Held also by Delek Energy

Principal partnerships and investees (cont.)

Holding Company	Company	Rate of holding and control of the investee as at December 31 2020 (1)	Rate of holding of the Group in final retention as at December 31 2020 (1)	Presentation
		%	%	
Delek Group Ltd.	Delek Petroleum Ltd.	100	100	Consolidated
	Delek Infrastructure Ltd.	100	100	Consolidated
	Delek Power Plants - Limited Partnership	100	100	Consolidated
	Delek Energy Systems Ltd.	100	100	Consolidated
	NewMed Energy – Limited Partnership (2)	5.06	54.18	Consolidated
	Yam Tethys Joint Venture	4.441	33.5	Proportionate consolidation
	Delek Sea Maagan (2011) Ltd.	100	100	Consolidated
	Israel Delek Holdings Group Ltd.	100	100	Consolidated
	Delek Financial Investments 2012 - Limited Partnership	100	100	Consolidated
	DKL Investments Limited	100	100	Consolidated
Delek Petroleum Ltd.	Delek The Israel Fuel Corporation Ltd.	25	25	Associate
	Delek Israel Properties (D.P.) Ltd.	25	25	Associate
	Ltd. Holding Delek Hungary	100	100	Consolidated

(1) Direct and indirect ownership and control (without the participating holdings of The Phoenix)

(2) Also held directly by Delek Petroleum Ltd.

Principal partnerships and investees (cont.)

Holding company	Company	Rate of holding and control of the investee as at December 31 2020 (1)	Rate of holding of the Group in final retention as at December 31 2020 (1)	Presentation
		%	%	
DKL Investments Limited	DKL Energy Limited	100	100	Consolidated
	Delek GOM Holdings Inc.	100	100	Consolidated
	Delek Royalty US LLC	21	21	Associate
Delek GOM Holdings Inc.	Delek GOM Investments LLC	100	100	Consolidated
Delek GOM Investments LLC	GulfSlope Energy Inc.	23.2	23.2	Associate
DKL Energy Limited	Delek North Sea Limited	100	100	Consolidated
Delek North Sea Limited	Ithaca Energy Limited	100	100	Consolidated
Ithaca Energy Limited	Ithaca Energy (Holdings) Limited	100	100	Consolidated
	Ithaca Energy (UK) Limited	100	100	Consolidated
	Ithaca Minerals (North Sea) Limited	100	100	Consolidated
	Ithaca Energy Holdings (UK) Limited	100	100	Consolidated
	Ithaca Petroleum Limited	100	100	Consolidated
	Ithaca Causeway Limited	100	100	Consolidated
	Ithaca Alpha (NI) Limited	100	100	Consolidated
	Ithaca Gamma Limited	100	100	Consolidated
	Ithaca Epsilon Limited	100	100	Consolidated
	Ithaca Oil and Gas Limited	100	100	Consolidated

(1) Rate of direct and indirect ownership and control

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Delek Group Ltd.

Financial Information from the Consolidated Financial Statements Attributed to the Company

December 31, 2021

Financial data from the consolidated balance sheets attributed to the Company

	Note	As at December 31	
		2021	2020
		NIS millions	
Current assets			
Cash and cash equivalents		285	130
Short-term investments		8	84
Income tax receivable		20	29
Other receivables		42	67
		355	310
Assets held for sale		-	51
Total current assets		355	361
Non-current assets			
Investments in investee companies and partnerships	5	3,158	2,589 *)
Loans and capital notes to investees	5B	3,832	4,913
Financial assets		-	21
Long term loans and debit balances	3	330	307
Investment property	6	253	196
Property, plant and equipment, net	6	45	46
Total non-current assets		7,618	8,072
		7,973	8,433

*) Adjusted retrospectively, see Note 9.

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

Financial data from the consolidated balance sheets attributed to the Company

	Note	As at December 31	
		2021	2020
		NIS millions	
Current liabilities			
Debentures including current maturities		350	5,263
Borrowings and current maturities of loans from banks and others		-	113
Loan from a subsidiary		63	28
Other payables		110	158
Total current liabilities		523	5,562
Non-current liabilities			
Loans from subsidiaries		895	774
Loans from others		103	-
Debentures	7	3,839	-
Other liabilities (primarily liability for retirement of long-term assets)		9	11
Total non-current liabilities		4,846	785
Equity attributable to the Company's shareholders	10		
Share capital		19	18
Share premium		2,534	2,341
Proceeds for conversion options and warrants		18	38
Retained earnings		3,049	1,589 *)
Adjustments from translation of financial statements of foreign operations		(1,125)	(933)
Reserve for transactions with non-controlling interests		(684)	(677)
Other reserves		(893)	24
Treasury shares		(314)	(314)
Total capital		2,604	2,086
		7,973	8,433

*) Adjusted retrospectively, see Note 9.

March 29, 2022			
Approval date of the financial statements	Gabriel Last Chairman of the Board of Directors	Idan Wallace Chief Executive Officer	Tamir Polikar Executive VP and CFO

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

Financial Data from the consolidated statements of income attributed to the Company

	Note	For the year ended December 31		
		2021	2020	2019
		NIS millions		
Revenue from overriding royalties and gas sales (net of royalties)		3	7	27
Rent		6	5	9
Company's share in earnings (losses) of investee companies and partnerships, net		1,727	(1,138) *)	37
Management fees from investees		-	1	2
Total revenues (expenses)		1,736	(1,125)	75
Production cost of gas sold		3	6	11
General and administrative expenses		22	30	51
Other revenues (expenses), net		63	(124)	157
Operating profit (loss)		1,774	(1,285)	170
Net finance income (expenses) with respect to loans to investees and others		(21)	40	22
Finance income (expenses) (mainly for financial investments), net		(15)	(207)	71
Finance expenses (mainly for debentures)		(386)	(343)	(389)
Profit (loss) before taxes on income		1,352	(1,795)	(126)
Income tax	8	-	-	(1)
Profit (loss) from continuing operations		1,352	(1,795)	(127)
Profit (loss) from discontinued operations, net		80	(22)	361
Net profit (loss) attributable to Company's shareholders		1,432	(1,817)	234

*) Adjusted retrospectively, see Note 9.

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

Financial data from the consolidated statements of comprehensive income attributed to the Company

	For the year ended December 31		
	2021	2020 *)	2019
	NIS millions		
Net profit (loss) attributable to Company's shareholders	1,432	(1,817)	234
Other comprehensive income (loss):			
Amounts not reclassified to profit and loss:			
Loss from investment in equity instruments measured at fair value through other comprehensive income	-	(11)	(19)
Other comprehensive income (loss) attributable to investee partnerships companies	65	(64)	(88)
Revaluation for transfer from property, plant and equipment to investment property	-	27	-
Total	65	(48)	(107)
Amounts classified or reclassified to profit and loss under specific conditions:			
Profit for financial assets at fair value through other comprehensive income	-	-	-
Loss for cash flow hedging transactions	-	-	(8)
Carryforward to profit and loss for cash flow hedging transactions	-	-	9
Adjustments arising from foreign currency translation of a foreign operation's financial statements	(108)	(310)	(94)
Other comprehensive income (loss) attributable to investee companies and partnerships (post-tax)	(1,038)	84	(558)
Total	(1,146)	(226)	(651)
Total other comprehensive loss from continuing operations	(1,081)	(274)	(758)
Total other comprehensive income from discontinued operations	-	-	23
Total other comprehensive loss	(1,081)	(274)	(735)
Total comprehensive income (loss) attributable to Company's shareholders	351	(2,091)	(501)

*) Adjusted retrospectively, see Note 9.

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

Financial data from the consolidated statements of cash flows attributed to the Company

	For the year ended December 31		
	2021	2020 *)	2019
	NIS millions		
Cash flows from the Company's operating activities			
Net profit (loss) attributable to Company's shareholders	1,432	(1,817)	234
Adjustments needed to present cash flows from the Company's operating activities (a)	(1,743)	1,635	798
Net cash from (used for) the Company's operating activities	(311)	(182)	1,032
Cash flows from the Company's investing activities			
Investments in property, plant and equipment and investment property	-	(2)	-
Proceeds from disposal of financial assets	23	90	48
Proceeds from disposal of investments in investees	-	207	1,723
Short term deposits, net	78	(53)	(31)
Investment in financial assets	-	(13)	(27)
Proceeds from disposal of investment property	19	33	65
Deposits to long-term deposits	(4)	(178)	(70)
Collection of long-term deposits	76	220	105
Collection (provision) of loans from others	73	(2)	210
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	160
Provision (repayment) of loans to, and equity investments in, investees, net	988	(357)	(2,096)
Net cash from the Company's investing activities	1,253	264	87
Cash flows from the Company's financing activities			
Dividend paid to the Company's shareholders	-	-	(260)
Issue of share capital and options (less issuance expenses)	174	347	-
Proceeds from exercise of options for shares of the Company	-	100	-
Short term borrowings from banks and other lenders, net	-	(631)	(127)
Debenture issuance	1,256	-	-
Loans from subsidiaries	314	862	257
Repayment of loans from subsidiaries	(152)	(301)	-
Loans from banks and others	104	-	404
Repayment of loans from banks and others	(113)	(92)	(208)
Buyback of debentures	-	(5)	-
Repayment of debentures	(2,370)	(916)	(1,129)
Net cash used for the Company's financing activities	(787)	(636)	(1,063)
Exchange differences for cash and cash equivalent balances	-	(1)	1
Increase (decrease) in cash and cash equivalents	155	(555)	57
Cash and cash equivalents at the beginning of the year	130	685	628
Cash and cash equivalents at the end of the year	285	130	685

*) Adjusted retrospectively, see Note 9.

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

Financial data from the consolidated statements of cash flows attributed to the Company

	For the year ended December 31		
	2021	2020	2019
	NIS millions		
(a) Adjustments for presentation of statement of cash flows from the Company's operating activities			
Adjustments for profit and loss line items of the Company:			
Depreciation, depletion, and amortization	1	2	3
Loss (profit) from exercise of investment in an investee	-	127	(66)
Decrease (increase) of loans granted, net	(23)	(26)	30
Impairment (appreciation) of investments in financial assets, net	16	179	(34)
Company's share in the expenses of investee companies and partnerships *)	(1,588)	1,326	998
Increase in value of liabilities, net	92	29	52
Change in fair value of financial derivatives, net		17	(20)
Other income (in connection with disposal of gas and oil assets, including overriding royalties)		-	(103)
Revaluation of other long-term assets	(86)	6	(11)
Exchange differences for balance of cash and cash equivalents, net	-	1	(1)
Gain on disposal of investment property	10	(1)	(23)
Appreciation of investment property	(57)	(3)	(31)
Changes in the Company's asset and liability line items:			
Decrease in other receivables	(22)	14	33
Increase (decrease) in other accounts payable	(86)	(36)	(29)
	(1,743)	1,635	798
*) Net of dividends received	150	191	1,343
(B) Company's significant non-cash activities			
Dividend receivable from investee companies and partnerships	-	-	6
Purchase of Company shares by a subsidiary partnership	-	60	111
Purchase of debentures and convertible debentures of the Company by a subsidiary partnership	-	21	-
Investment in a financial asset in respect of in-kind distribution	-	-	83
Sale of investment property against loan provided	-	-	39
Repayment of a liability to a bank against the sale of shares in swap transactions	-	-	132
Sale of a subsidiary against a loan granted	-	-	152
(C) Additional information on cash flows			
Cash paid during the year in the Company for:			
Interest	416	330	350
Cash received during the year in the Company for:			
Interest	-	2	17
Taxes	-	-	56
Dividends	151	191	1,344

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

NOTE 1 - GENERAL

A. Manner of Preparation of the Financial Information from the Consolidated Financial Statements of the Company for 2021, attributed to the Company:

1. Definitions

The Company	-	Delek Group Ltd.
The Group	-	The Company and its subsidiaries and partnerships which are consolidated in the consolidated financial statements.
Consolidated companies, associates, investee companies, controlling shareholders, interested parties and related parties	-	As these terms are defined in the Company's consolidated financial statements for 2019 (hereinafter - the consolidated financial statements).

2. Manner of preparation of the financial information

The financial information from the consolidated financial statements attributed to the Company itself as the parent company (hereinafter - the financial information), was prepared in accordance with the provisions of Regulation 9 C of the Securities Regulations (Periodic and Immediate Reports), 1970.

The significant accounting policies applied for presenting this financial information are set out in Note 2 to the Consolidated Financial Statements.

3. Assets and liabilities included in the Consolidated Financial Statements attributable to the Company

The amounts of assets and liabilities in the Consolidated Financial Statements are attributable to the Company itself as the parent company are presented with a description of the types of assets and liabilities. This information is classified in the same manner by which the Consolidated Statements of Financial Position are classified. Furthermore, these figures reflect the mutual balances between the Company and investees which were cancelled in the Consolidated Financial Statements.

In this matter, these figures were presented according to the provisions of IAS 1 and adjusted, where relevant, as detailed in the Statement of Financial Position.

4. Income and expenses included in the Consolidated Financial Statements attributable to the Company

The amounts of income and expenses in the Consolidated Financial Statements, with a breakdown of profit or loss, attributable to the Company itself as the parent company, are presented with a description of the type of income and expenditure. This information is classified in the same manner by which the consolidated statements of income are classified. In addition, these figures reflect the results of operations for mutual transactions that were canceled in the Consolidated Financial Statements.

In this matter these figures were presented according to the provisions of IAS 1 and adjusted, where relevant, as detailed in the statements of income.

5. Cash flows included in the Consolidated Financial Statements attributable to the Company

The amounts for cash flows included in the Consolidated Financial Statements attributable to the Company itself as the parent company are taken from the Consolidated Statements of Cash Flows with breakdown of cash flows from operating activities, cash flows from investing activities and cash flows from financing activities with a description of their composition. This information is classified in the same manner by which the Consolidated Financial Statements are classified.

NOTE 1 - GENERAL

B. Significant global events that have, or may have, a material effect on the Company's business

In December 2019, the Covid-19 pandemic broke out in China, spreading to many countries around the world and in March 2020, it was declared a pandemic by the World Health Organization (hereinafter - the "Covid-19 Crisis"). Due to the Covid-19 Crisis, many countries have imposed significant restrictions that included and, among other things, self-isolation, restrictions on traffic and transportation (including flights), and closure and reduction of business activity. The crisis and the associated restrictions have caused a significant slowdown in global economic activity, and sharp declines and extreme fluctuations in capital markets around the world. In 2020, oil and natural gas prices plummeted in some countries. In 2021, oil and natural gas prices were highly volatile, leaning towards price increases. Oil and gas prices were extremely volatile, and as at December 31, 2021, the Brent oil price was USD 78 per barrel and the gas price was 155 penny per thermal unit; at its lowest point in 2020, the Brent oil price was USD 16 per barrel and the gas price was 32 penny per thermal unit and shortly before the approval date of the financial statements, the Brent oil price was USD 110 per barrel and the price of a thermal unit was 265 penny.

In addition, starting at the end of February 2022 and shortly before the approval date of the financial statements, Russia's invasion of Ukraine also affected global oil and gas prices and exchange rates, and some countries imposed economic sanctions on Russia.

As at the approval date of the financial statements, there is still uncertainty regarding when Covid-19 will be contained and/or will break out again and regarding the effect of the Russia-Ukraine war on future oil and natural gas prices and the global economy as a whole.

Since the bulk of the Group's operations are in the energy segment, oil and natural gas prices (as well as the USD-NIS exchange rate and interest rates) have a material (positive or negative) impact on the Group's operating results, the value of its assets (both marketable and non-marketable), its equity, operating cash flows. In addition, the volatility of oil and gas prices affects the ability of the Company and its Staff Companies to receive dividends from investees and partnerships or the amount of the dividends.

As part of dealing with the Covid-19 crisis, the Company took and takes measures successfully to continue realizing its business plans, which are aimed at strengthening its financial resilience and generating value in its investees. These measures include, among others: Conclusion of equity processes in the investees, receiving dividends from investees, disposal of assets and investments that are not part of its core business. The actions taken by the Company in this matter during 2021 and subsequent to the balance sheet date included:

- An exchange tender offer for Series B31 (exchange for Series B34), in a total amount of NIS 832 million;
- Prepayment of debentures (Series B18 and B19), in a total amount (principal and interest) of NIS 385 million;
- Early repayment of the Company's liabilities to the Debenture Holders in a total amount of NIS 1.7 billion, with respect to payments that the Company was to make in the fourth quarter of 2021 and first quarter of 2022;
- In June-December 2021, the Company issued new debenture series (Series B35 and B36) for a total consideration of NIS 1,270 million. For further information see Note 18 to the Consolidated Financial Statements.
- In July 2021, Ithaca concluded the refinancing of its debts. Due to the refinancing, Ithaca repaid NIS 800 million on account of a shareholders loan provided to it by the Company. Furthermore, in 2021 Ithaca distributed a dividend in the amount of NIS 50 million.
- In 2020, NewMed Energy declared a dividend in the amount of USD 157 million (NIS 509 million), while the Group's share is NIS 278 million. In 2021, NewMed Energy declared a dividend of USD 286 million (NIS 899 million), with the Group's share being NIS 492 million (of which 145 were received subsequent to the balance sheet date, in January 2022).

NOTE 1 – GENERAL (cont.)

B. Significant global events that have, or may have, a material effect on the Company's business (cont.)

The business measures concluded in 2020-2021 created significant cash flow for the Company in volumes of billions of NIS that were and are used by the Company to repay its liabilities, in time and regularly. Successful conclusion of such business measures, together with the recovery of energy prices worldwide (gas and oil) in the last year and subsequent to the balance sheet date and the positive change in trend that characterizes the Company's business environment, led to a sharp rise in the prices of the Company's shares and the value of its assets. All of these allowed the Company to meet repayment of its financial liabilities in time, to bring forward repayment of some of the debentures in highly significant amounts of over NIS 2 billion (NIS 2.08 billion) and to complete replacement of part of the series, as set out above, thereby extending the duration of part of the debt by another two years.
It is further emphasized that the rating of the Company's debentures was set by Midroog at (Baa3.il) with a stable outlook (granted on November 23, 2021) and the rating by Maalot S&P was upgraded from (il.B) to (il.BBB-) with a stable outlook (granted on December 30, 2021). This is a significant rating upgrade. With respect to the covenants with which the Company is required to comply under the Deeds of Trust and the Company's compliance with them as at the date of the Financial Statements, see Note 18 to the Consolidated Financial Statements.

Furthermore, the Company has significant core assets (100% of Ithaca shares, 55% of NewMed Energy, 100% of the shares of Delek Overriding Royalty Leviathan) together with leases in additional assets with potential enhancement: 25% of the shares of Delek Israel and Delek Israel Properties, 25% of the rights to land in Acre; a seller's loan for The Phoenix transaction and 70% of the rights in the Group's office building in Herzliya and the adjacent hotel. At the beginning of 2021 until the approval date of the Financial Statements, there was a material increase in the trading value of the Company's shares and the participating units of NewMed Energy to the pre-economic crisis values and there was a substantial rise in the fair value of the Company's holdings in Ithaca (as set out in the current valuation attached to the Company's Financial Statements), compared to a significant decline in 2020 due to the outbreak of the Covid-19 pandemic and its negative impact on world markets and energy prices, which at the time led to a significant impairment of the Group's financial position and liquid sources, mainly due to the fact that part of those shares were used as collateral to secure credit facilities granted to the Group. It should be noted that in 2020, the Group repaid all credit facilities provided by banks. Regarding assessment of impairment of assets and amortization (cancellation of amortization) and disposals during 2020-2021, see Notes 10, 12C, 12R and 14 to the Consolidated Financial Statements.

These assets, as well as the yield to maturity trend of the Company's debentures, allowed the Company to maintain financial flexibility and resilience as well as reasonable alternatives in the event that any of its business plans are not executed in time or as planned.

The Company management believes, based on past experience and its proven capability to raise the sources required and considering the Group's foregoing assets, that it is able to execute its business plans, in order to meet its liabilities, as expressed also during the last 18 months (during the global Covid-19 crisis) and that its plans have a high chance of being realized successfully.

It should be noted that as at December 31, 2021, the Company (separate) has a working capital deficit of NIS 0.17 billion, due mainly to current maturities of debentures issued by it. It should be noted that the working capital of the Company and Staff Companies as at December 31, 2021 amounts to a positive sum of NIS 89 million. The Group (consolidated) has a working capital deficit of NIS 0.86 billion, due mainly to the fact that as part of the current liabilities of a subsidiary of the Company (Ithaca), a liability was included in respect of financial derivatives. Regarding the foregoing, it should be noted that in the opinion of the management and the Board of Directors, based on the above sources and the alternatives at its disposal, the Company has sufficient sources to allow it to meet its liabilities and the financial covenants in the foreseeable future.

NOTE 2 - FINANCIAL INSTRUMENTS

Financial risk factors

The Company's activities expose it to various financial risks, such as market risks (including currency risk, CPI risk, and interest risk), credit risk and liquidity risk. The Company's comprehensive risk management plan focuses on measures to minimize possible negative effects on the financial performance of the Company.

1. Liquidity risk

The table below presents the repayment dates of the Company's financial liabilities in accordance with the contractual terms, undiscounted (including interest payments):

December 31, 2021

	Up to one year	From one to two years	From two to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years	On demand	Total
	NIS millions							
Debentures (including current maturities)	538	1,135	1,146	1,090	318	810	-	5,037
Loans from banks and others	7	7	108	-	-	-	-	122
Loans from subsidiaries	91	361	56	-	559	-	-	1,067
Guarantees	-	-	-	-	-	-	462	462
	636	1,503	1,310	1,090	877	810	462	6,688

December 31, 2020

	Up to one year	From one to two years	From two to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years	On demand	Total
	NIS millions							
Debentures (including current maturities)	1,151	1,255	923	880	838	275	-	5,322
Debentures convertible into Company shares	27	718	-	-	-	-	-	745
Loans from banks and others	113	-	-	-	-	-	-	113
Loans from subsidiaries	60	71	326	56	-	405	-	918
Guarantees	-	-	-	-	-	-	487	487
	1,351	2,044	1,249	936	838	680	487	7,585

NOTE 2 - FINANCIAL INSTRUMENTS (cont.)

Financial risk factors (cont.)

2. Index and foreign currency risks

Exposure to the CPI and foreign exchange risk of assets and liabilities, including financial instruments:

	December 31, 2021						
	Unlinked	CPI-linked	USD-linked	Linked to CAD	At fair value	Non-monetary items	Total
	NIS millions						
Current assets							
Cash and cash equivalents	285	-	-	-	-	-	285
Short-term investments	3	-	-	-	5	-	8
Income tax receivable	-	-	-	-	-	20	20
Other receivables	36	-	3	-	-	3	42
Non-current assets							
Investments in investee companies and partnerships	-	-	-	-	-	3,158	3,158
Loans to investees	281	-	3,551	-	-	-	3,832
Long term loans and debit balances	73	-	6	21	189	41	330
Investment property	-	-	-	-	253	-	253
Property, plant and equipment, net	-	-	-	-	-	45	45
Total assets	678	-	3,560	21	447	3,267	7,973
Current liabilities							
Debentures and convertible debentures including current maturities	-	350	-	-	-	-	350
Loan from a subsidiary	63	-	-	-	-	-	63
Other payables	63	3	34	-	-	10	110
Long-term liabilities							
Loans from subsidiaries	660	-	235	-	-	-	895
Loans from others		103					103
Debentures	3,839	-	-	-	-	-	3,839
Long-term liabilities	-	-	9	-	-	-	9
Total liabilities	4,625	456	278	-	-	10	5,369
Net exposure	(3,947)	(456)	3,282	21	447	3,257	2,604

NOTE 2 - FINANCIAL INSTRUMENTS (cont.)

Financial risk factors (cont.)

2. Index and foreign currency risks (cont.)

Exposure to the CPI and foreign exchange risk of assets and liabilities, including financial instruments:

	December 31, 2020						
	Unlinked	CPI-linked	USD-linked	Linked to CAD	At fair value	Non-monetary items	Total
	NIS millions						
Current assets							
Cash and cash equivalents	124	-	6	-	-	-	130
Short-term investments	81	-	3	-	-	-	84
Income tax receivable	-	-	-	-	-	29	29
Other receivables	22	33	8	-	-	4	67
Assets held for sale	-	-	-	-	51	-	51
Non-current assets							
Investments in investee companies and partnerships	-	-	-	-	-	2,589	2,589
Loans to investees	470	-	4,443	-	-	-	4,913
Financial assets	-	-	-	-	21	-	21
Long term loans and debit balances	143	-	-	21	143	-	307
Investment property	-	-	-	-	196	-	196
Property, plant and equipment, net	-	-	-	-	-	46	46
Total assets	840	33	4,460	21	411	2,668	8,433
Current liabilities							
Debentures and convertible debentures including current maturities	4,208	1,055	-	-	-	-	5,263
Loans from others	-	113	-	-	-	-	113
Loan from a subsidiary	28	-	-	-	-	-	28
Other payables	115	9	24	-	-	10	158
Long-term liabilities							
Loans from subsidiaries	532	-	242	-	-	-	774
Long-term liabilities	-	-	11	-	-	-	11
Total liabilities	4,883	1,177	277	-	-	10	6,347
Net exposure	(4,043)	(1,144)	4,183	21	411	2,658	2,086

3. For more information on debentures issued by the Company, see Note 18 to the consolidated financial statements.

NOTE 3 - LONG-TERM LOANS AND DEBIT BALANCES

On November 3, 2019, the transaction was completed for the Company's sale of 32.5% of the share capital of The Phoenix to a company controlled by international private equity funds (hereinafter - the "Buyer") for a consideration of NIS 1.57 billion at closing date of the transaction. Of this amount, NIS 1.3 billion was received in cash by the Company at the closing date and the balance was provided to the Buyer as a loan (as described below).

The agreement stipulated adjustments to the sales price, which may result in an increase in the total consideration to be received by the Company, beyond the amount of NIS 1.57 billion, in an amount of up to NIS 866 million, subject to certain adjustments, or to a reduction in the total consideration of up to NIS 196 million. These adjustments include reference to the previous profits of The Phoenix at the closing date, adjustments arising from an increase or decrease in the value of The Phoenix shares, including for a notional option granted to the Buyer for 7.5% of The Phoenix shares (hereinafter - the "Option") and the rate of return of the Buyer in the investment period in The Phoenix.

Part of the consideration paid by the Buyer was financed by a senior loan of NIS 548 million received by the Buyer from financial institutions (hereinafter - the "Senior Loan"). The loan is for a period of five years, with two options for extension of one year each, subject to the fulfillment of certain conditions. The interest for the senior loan will be paid every six months under the terms set out in the agreement. The interest and principal of the loan will be repaid from the dividends to be received by the Buyer from The Phoenix in the loan period and from the consideration claimed from it from the sale of The Phoenix shares. The Company signed a credit support document (hereinafter - the "Credit Support Agreement") with the financial institutions to back up the loan in certain events stipulated in the agreement, including backing for interest payments by the Buyer, payment of certain fees for the loan, including early repayment fees, and also undertook to guarantee some of the Buyer's liabilities and in this respect, to deposit certain marketable securities and/or financial deposits at a total initial amount of NIS 70 million, and under the terms and conditions set out in the letter of undertaking.
The amounts that the Company is required deposit in the pledged deposits and the dates on which it is required to deposit them are defined in the agreement, and the amounts may exceed a maximum amount of up to 50% of the amount of the First Degree Loan (plus the amount deposited in a reserve to guarantee interest on the First Degree Loan), if the events defined in the agreement occur, including: 1. non-compliance with certain financial conditions with respect to The Phoenix and/or the Senior Loan defined in the liability agreement; 2. a downgrade in the credit rating of The Phoenix (below a rating of BBB+); 3. A material debt of the Company (as this term is defined in the agreement) was called for immediate repayment due to an event of default; 4. the Company breached a commitment to pay a debt of least NIS 25 million for a material debt; and 5. a downgrade in the credit rating of the Company which constitutes an event of default in respect of the material debt. If the Company breaches its obligation to deposit the required amounts and in the event of a breach of representation for the financial statements of The Phoenix, the maximum amount it may be required to deposit may exceed 100% of the amount of the Senior Loan, and then the Company has the right to call for the endorsement of the Senior Loan. Further to Note 1B above regarding the effect of global events on the Company's financial position, in June 2020 and November 2021, the Credit Support Agreement was amended. Under the Credit Support Agreement of November 2021, it was determined, among other things, that as long as the debt towards the debenture holders is not called for immediate repayment or the expiration condition for repayment in the amendment to the deed of trust (as set out in Note 18G to the consolidated financial statements) does not materialize, completion of additional collateral will be limited to an amount of NIS 80 million on the occurrence of one or more of the events set out in the Credit Support Agreement relating to the Company, and an amount of NIS 120 million on the occurrence of one or more of the events relating to The Phoenix or to The Phoenix and the Company together. Following the amendment to the Credit Support Agreement, in November 2021, an amount of NIS 68 million was released from the financial deposits and marketable securities that the Company had pledged to back the Senior Loan.

NOTE 3 - LONG-TERM LOANS AND DEBIT BALANCES (cont.)

In addition, as part of the agreement to sell The Phoenix shares, the Company provided a subordinate loan of NIS 235 million to the Buyer (hereinafter - the “Seller’s Loan”). The loan is for a period of 5 years (with an option to extend for two more years under certain conditions). The loan will bear interest at a rate that will cause the Acquirer to pay for both the Senior Loan and the Subordinated Loan a rate of 4% per year for the first 5 years, 7% for the sixth year, and 8% for the seventh year. The interest and principal of the loan will be paid out of the dividend receipts by the Buyer, proceeds from the sale of The Phoenix shares, as well as adjustments to the transaction price that the Company undertook to pay to the Buyer under certain conditions, as set out above. To secure its liabilities related to the loan, the Buyer pledged, among other things, The Phoenix shares that it holds in favor of the Company as a second-ranking lien. It should be noted that interest for the Senior Loan that the Company is required to pay under the Credit Support Agreement is added to the reserve of the Seller's Loan.

It should be noted that in April and November 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 Seller’s Loan and the Senior Loan. Accordingly, in 2021, the Buyers paid the Company an amount of NIS 52 million and repaid an amount of NIS 53 million from the Senior Loan. As at December 31, 2021, subsequent to the repayments, the balance of the Senior Loan (including the accrued interest) amounts to NIS 496 million and the balance of the Seller's Loan amounts to NIS 235 million.

The Seller's Loan, components of contingent consideration, and future adjustments (including for the Option) are measured in the financial statements at fair value through profit or loss. As at December 31, 2021, the net fair value of these instruments amounts to NIS 189 million (as at December 31, 2020, NIS 143 million). The fair value was assessed by an outside independent appraiser using the Longstaff-Schwartz model, assuming risk neutrality. In addition, the annual standard deviation of The Phoenix shares was estimated at 30% and the annual dividend return was estimated at 7%. In view of the risk neutrality, the discount rate used in the valuation is a risk-free interest rate curve throughout the loan period.
The profit generated for the Company as a result of the revaluation of the loan amounted to NIS 84 million in 2021 (in 2020, a loss of NIS 22 million) and it is included in the statement of income under profit (loss) from discontinued operations.

NOTE 4 – LONG-TERM LOANS

In January 2021, the Company, together with Fattal, received a loan of NIS 145 million from a third party for refinancing a real estate property in Herzliya (see also Note 11A to the consolidated 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 increase in the CPI. 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 alone, it will constitute grounds for immediate repayment with respect to the other borrower as well.

NOTE 5 - LOANS, BALANCES, AGREEMENTS, AND MATERIAL TRANSACTIONS WITH INVESTEE COMPANIES

A. Material guarantees as aft December 31, 2021

1. The Company provided an unlimited guarantee, in favor of the Republic of Cyprus to secure full compliance with the liabilities of Delek Drilling Partnership; for further information, see Note 23(B)(2) to the Consolidated Financial Statements.

2. The Company provided a guarantee in favor of a foreign company in respect of a convertible loan provided by it to DKL in the amount of USD 50 million (NIS 154 million). For further information, see Note 18H to the consolidated financial statements.

Additional financial liabilities:

As part of the senior loan taken by the buyers of The Phoenix, the Company signed and the financial institutions
a Credit Support document to back the said loan under certain circumstances set out in the agreement, including backup in respect of the interest payments by the buyers, partial backup in respect of amounts to be distributed by the buyer to its shareholders as a dividend in parallel to repayments of the senior loan. Furthermore, in certain cases the Company may be required to secure a deposit in respect of the senior debt in an amount of up to NIS 275 million. For further information, see Note 10E to the consolidated financial statements.

B. Loans granted to investee companies

The Company has loans and investments in capital notes in investees, the balance of which as at December 31, 2021 is NIS 3,837 million. The Company provided USD-denominated loans amounting to NIS 99 million to Ithaca, which hear fixed annual interest at a rate of 4.75%. Furthermore, the Company invested in capital notes issued by subsidiaries in the amount of NIS 3,733 million (of this amount, a total of NIS 3,451 million is in USD capital notes). The capital notes were issued interest-free and unlinked.

C. Agreements

1. Under an agreement dated October 11, 2012, the Company undertook to provide directors' services as from September 1, 2012 to Delek Energy Systems Ltd. (hereinafter - Delek Energy), a wholly-owned subsidiary, which are required for the ongoing management of Delek Energy. According to the terms of the agreement, Delek Energy will pay annual compensation and participation compensation for the participation of the director in each meeting, an amount equivalent to the amount set in the Second Addendum and Third Addendum to the Companies Regulations (Rules for Compensation and Expenses to an External Director), 2000. The agreement was valid until August 31, 2015. In October 2015, an agreement was signed extending the agreement that ended on July 31, 2015 for a further three-year term until August 31, 2018. In August 2018, another agreement was signed extending the agreement that ended on August 31, 2018 for a further three-year term until August 31, 2021. Subsequent to completing a tender offer for Delek Energy shares, the terms and conditions were revised so that the agreement will be renewed every year.
   Directors' compensation in 2019 amounted to NIS 440 thousand. With respect to 2021 and 2020, the Company charged Delek Energy for overheads and general and administrative expenses in an amount of NIS 4 million and NIS 8 million, respectively, in accordance with the Company's agreement with Delek Energy of February 2021.

NOTE 5 - LOANS, BALANCES, AGREEMENTS, AND MATERIAL TRANSACTIONS WITH INVESTEE COMPANIES (cont.)

C. Agreements (cont.)

2. In January 2018, the Company signed a lease agreement with Fattal to lease the hotel space in the building owned by the Company, as of May 2018, for a period of five. The amount of the income in 2020 was negligible; in 2021, NIS 4 million was recorded in rental income. Regarding the sale of part of the building, see Note 11A to the Consolidated Financial Statements.

3. For 2021 and 2020, the Company charged DKL Investment Limited ("DKL") for overheads and general and administrative expenses an amount of USD 4 million (NIS 13 million) and USD 1.4 million (NIS 4.6 million), respectively, in accordance with the Company's agreement with DKL of February 2021.

4. For 2021 and 2020, the Company charged Delek Petroleum for overheads and general and administrative expenses an amount of NIS 1.1 million and NIS 1.8 million, respectively, in accordance with the Company's agreement with Delek Petroleum of February 2021.

5. Under an agreement of December 26, 2021, the Company undertook to provide directors' services to Delek Drilling Management (hereinafter - Delek Management), by Company officers. In return, Delek Management will pay Delek Group a proportionate share of the costs of the directors' salaries, accordingly, the time devoted by them for provision of the directors' services. In 2021, the Company charged Delek Management for expenses in respect of directors' salaries an amount of NIS 4 million.

For further information regarding investees, see Note 10 to the Consolidated Financial Statements.

D. Investments in investees

For information about disposal of the Company's holdings of shares of investees, see Note 10 to the Consolidated Financial Statements.

E. Pledges

To secure debts to the debenture holders, the Company and its wholly owned subsidiaries pledged the shares of certain investee companies and partnerships, including loans provided to third parties and investees. In addition, in January 2021, a third party granted the Company a NIS 104 million loan against a mortgage on the building in Herzliya that it owns. The loan consideration was used mainly to repay a previous loan taken in connection with the said property; the loan balances as at December 31, 2021 and 2020 are NIS 107 million and NIS 113 million, respectively.

F. Contingent liabilities

There are contingent claims against the Company and certain investees for significant amounts, including certification for class action lawsuits, which may amount to billions of shekels; in some cases, it is not possible to assess their outcome at this stage, and therefore no provision was recorded for them in the financial statements. For information about lawsuits filed against the Group companies, see Note 23A to the Consolidated Financial Statements.

NOTE 6 - INVESTMENT PROPERTY

With regard to the sale of part of the office and commercial building in Herzliya in 2019, see Note 11A to the Consolidated Financial Statements.

NOTE 7: - DEBENTURES AND DEBENTURES CONVERTIBLE FOR SHARES OF THE COMPANY

For further information regarding the issuance of debentures in the reporting year, prepayment of debentures, buyback of debentures and debentures convertible for shares of the Company, see Note 18 to the Consolidated Financial Statements.

For further information about the covenants which the Company is required to comply with under the amendment to the deed of trust of the debenture series, see Note 18 to the Consolidated Financial Statements.

For further information about the update of the rating of the Company's debentures, see Note 18 to the Consolidated Financial Statements.

NOTE 8 - INCOME TAXES

A. Tax laws that apply to the Company

Income Tax (Inflationary Adjustments) Law, 1985

According to law, until 2007, the results for tax purposes in Israel are adjusted for the changes in the CPI.

In February 2008, the Knesset passed an amendment to the Income Tax (Inflationary Adjustments) Law, 1985, which limits the scope of the Adjustments Law from 2008 onwards. As from 2008, the results for tax purposes are measured at nominal values, with the exception of certain adjustments for changes in the Israeli CPI up to December 31, 2007.

B. Tax rates applicable to the Company

The rate of corporate tax in Israel in 2021, 2020 and 2019 is 23%.
An association of individuals is taxed on real capital gain at the corporate tax rate in the year of the sale.

C. Carryforward losses for tax purposes and other temporary differences

The Company has carryforward losses for tax purposes that amounted as at December 31, 2021, to a total of NIS 2 billion (of which NIS 1.2 billion are capital losses). No deferred tax assets were recognized for these losses, due to the uncertainty regarding future taxable income.

D. Tax assessments

In December 2021, the Company and the tax authorities signed 2015-2018 tax assessment agreements, therefore, the Company's tax assessments up to and including 2018 are final. It should be noted that the said assessment agreements did not affect the Financial Statements.

NOTE 9 – RETROSPECTIVE ADJUSTMENT OF COMPARATIVE RESULTS

As set out in Note 10H to the Consolidated Financial Statements, in the Reporting Period, Delek Petroleum (a wholly-owned subsidiary) completed the fair value measurement of the balance of its investment in Delek Israel as of the date of loss of control therein (October 2020), and of the options granted to the acquirers 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 adjustment of comparative results for 2020. In view of the foregoing, the Company's share in the net profits (losses) of investee companies and partnerships in 2020 increase by NIS 57 million, against an increase in the same amount in the investments in investee companies and partnerships.

NOTE 10 - EQUITY

Regarding exercise of options and issuance of shares and options of the Company and changes in the Company's shares held by the subsidiary partnership for 2020-2021, see Note 25 to the Consolidated Financial Statements.

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Chapter D

Additional Information on the Corporation

Chapter D - Additional Information About the Corporation

Name of Company:	Delek Group Ltd.
Company number in the Register of Companies	52-004432-2
Date of Statement of Financial Position:	December 31, 2021
(Regulation 9)	
Periodic Report Date:	March 29, 2022

Regulation 8B: Valuation

1. Testing for impairment of goodwill attributable to the Oil and Gas Development and Production in the North Sea cash-generating unit and testing for impairment of oil and gas assets in the North Sea region.

   As at December 31, 2021, the Group conducted a material valuation to test for impairment of goodwill attributable to a cash-generating oil and gas development and production in the North Sea unit and impairment of oil and gas assets in the North Sea Region. The financial paper that includes the foregoing valuations is attached to the Group's financial statements.

   Breakdown of the main points specified in this valuation:

Topic of the valuation:	Assessment of the recoverable amount of a cash generating unit to which the goodwill was attributed as aforesaid, ad assessment of the recoverable amount of the oil and gas assets in the North Sea Region
Date of valuation:	December 31, 2021
The value of the evaluated item shortly prior to the valuation date, if GAAP, including depreciation and amortization, did not require its re-evaluation based on the valuation:	N/A
Value of the evaluated item based on the evaluation:	The recoverable amount of the North Sea oil and gas development and production assets cash-generating unit to which the estimated goodwill was attributed was valued at USD 3,150 million. The recoverable amount of the oil and gas assets in the North Sea Region were estimated at USD 4,313 million (NIS 13,413 million). Based on the foregoing valuation, in 2021 the Company reversed the provision for impairment of assets that amounted to a profit attributable to the Company's shareholders (net of tax) in the amount of USD 166 million (NIS 536 million).
Identity and qualifications of the Appraiser:	The evaluation was carried out by Kroll Advisory Limited (formerly Duff & Phelps), a global advisory firm that employs over 3,500 employees in 28 countries worldwide. The firm was founded in 1932, and provides advisory services to a large number of clients, including more than 50% of the companies on the S&P 500 list. The firm provides diverse advisory services, including, among others, valuation, tax services, and merger and acquisition consultation. The firm's valuation team consists of over 1,200 professional and financial advisors with expertise in

	PPA, assessment of impairment of goodwill and intangible assets, and valuation. Under the agreement with the Appraiser, other than in the event of misconduct or fraud by the Appraiser, its liability is limited to its fee. The Company has also undertaken to indemnify the Appraiser for any damages it may incur as a result of a third party claim, with the exclusion of any case where a competent court rules that the claim is directly due to gross negligence, willful misconduct, or fraud by the Appraiser.
Valuation model used by the Appraiser:	Discounted cash flows
Key assumptions according to which the appraiser conducted the valuation, based on the valuation model:	The key underlying assumptions of the valuation include forecasts of revenues and expenses, taking into account, among other things, production rate and volumes, projected oil and gas prices, inflation rate and clearing costs. In determining the value, the appraiser used the discounted cash flow method while taking into account a post-tax discount rate of 9.50% in future Brent oil prices of USD 76 per barrel in 2022, USD 69 per barrel in 2023, USD 71 per barrel in 2024 up to USD 74 per barrel in 2026 and future gas prices of 164 penny/therm in 2022, 99 penny/therm in 2023, 68 penny/therm in 2024 and up to 56 penny/therm in 2026.

Regulation 9D: The Company's report on the state of liabilities, by repayment dates

Parallel to publication of this periodic report, the Company is publishing an immediate report regarding the state of the liabilities of the Company and the companies consolidated in its financial statements, by repayment dates, constituting an integral part of the periodic report.

Regulation 10A: The Company's condensed statements of comprehensive income for each quarter

See Section 3 of Part 1 of Chapter B (Board of Directors Report on the Status of the Company's Affairs), which is attached to this Report.

Regulation 10C: Use of proceeds for securities

Issue of Company shares:

In April, August and October, 2021, the Company issued ordinary nominally registered shares of the Company (including share options), of NIS 1 par value each and issued a private placement of shares in August 2021. The gross consideration for the issue of these shares amounted to a total of NIS 175 million (including proceeds arising from the exercise of the options for the Company's shares).

Issue of new debenture series:

In June 2021, the Company issued a new debenture series (Series B35) and in July and November, 2021, it executed an issue (including a private placement) by way of expansion of the series. In all, the Company issued 837,299,000 par value Debentures (Series B35).

In October 2021, the Company issued another new debenture series (Series B36) and in December, 2021, it made a private placement by way of expansion of the series. In total, the Company issued 429,249,000 par value Debentures (Series B36).

The gross consideration for the issue of Debentures Series B35 and Series B36, including the extension of the series, amounted to NIS 1,274 million.

Utilization of the proceeds of the issue:

The proceeds of the issuances were used and will be used by the Company to repay debentures series and current expenses.

Regulation 11: The Company's investments in each of its subsidiaries and material affiliates as at the date of the statements of income.

Active companies held directly by the Company

Company name	Security no. on the TASE	Type of security	Par value	No. of par value/participating unit held by the Group	Capital held (%)	% in voting rights	Total investment at date of statements of income (NIS million)	NIS price of securities on the TASE at date of statements of financial position	Balance of outstanding loans, debentures and capital notes (including interest receivable) in statement of financial position (NIS millions)
Delek Petroleum Ltd.	-	Ordinary Shares	NIS 0.01	1,100	100	100	790	-	-
Delek Sea Maagan (2011) Ltd.	-	Ordinary Shares	NIS 0.1	10,000	100	100	32	-	29
Delek Energy Systems Ltd.	565010	Ordinary Shares	NIS 1	5,143,529	100	100	2,707	-	
NewMed Energy - Limited Partnership (1)	475020	Participation units	-	59,477,005	5.06	5.06	414	6.72	-
Delek Financial Investments (2012) Limited Partnership (2)	-	-	-	1,000	100	100	18	-	-
DKL Investments Limited (3)	-	Ordinary Shares	€ 1	10,000	100	100	(512)	-	3,220
Delek Infrastructure Ltd.	-	Ordinary Shares	NIS 1	100	100	100	(33)	-	-
Delek Power Plants Limited Partnership	-	Participation units		100	100	100	(259)		254

(1) Also held through a wholly owned company, Delek Energy Systems Ltd. (hereinafter - "**Delek Energy**").

(2) As at December 31, 2021 and close to date of publication of the Report, the Subsidiary Partnership holds 586,422 shares of the Company.

(3) As at December 31, 2021 and close the to date of publication of the Report, holds 100 per cent of Ithaca Energy Limited's shares (hereinafter - "**Ithaca**").

Material companies held by the Company's subsidiaries (Delek Energy, DKL, Delek Petroleum)

Company name	Security no. on the TASE	Type of security	Par value	No. of par value/participating unit held by the Group	Capital held (%)	% in voting rights	Total investment at date of statements of income (NIS millions)	NIS price of securities on the TASE at date of statements of financial position	Balance of outstanding loans (including interest receivable) in statement of financial position (NIS millions)
NewMed Energy - Limited Partnership (1)	475020	participation units	-	576,521,467	49.12	49.12	2,424	6.72	-
"Delek" - The the Israel Fuel Corporation Ltd. (2)	-	Ordinary Shares	NIS 1	2,837,160	25	25	140	-	1
Delek Israel Properties Ltd. (3)	-	Ordinary Shares	NIS 1	2,837,160	25	25	133	-	-
Ithaca Energy Limited	-	Ordinary Shares	USD 0.1	64,097,908,167	100	100	3,081	-	100
Delek GOM Holdings LLC (4)	-	Ordinary Shares	USD 1	10,000	100	100	(227)	-	230
Delek Overriding Royalty Leviathan Ltd. (5)	-	Ordinary Shares	NIS 1	1,001,000	100	100	(72)	-	-

(1) As at December 31, 2021, the holding is through Delek Energy. The Company's total, direct and indirect, holding in NewMed Energy Limited Partnership is 54.7% (including the Company's holdings through Avner Oil and Gas Ltd.)

(2),(3) The holding is through a wholly owned company, Delek Petroleum Ltd. (hereinafter - "**Delek Petroleum**").

(4) Held by DKL Investments Limited.

(5) As at December 31, 2021, the holding is through Delek Energy. Delek Overriding Royalty Leviathan Ltd. was secured by a lien on rights to receive overriding royalties from the Leviathan Project, for further information see Section 1.7.22 (B) above in the Description of the Company's Operations chapter.

Regulation 12: Material changes in investments in subsidiaries, investees and affiliates in the reporting period

Date of change	Nature of Change	Company name	Share no. on the TASE	Type of security	Total par value	Par value	Consideration
February 14, 2021	Sale	Delek - The Israel Fuel Corporation Ltd.	-	Ordinary Shares	756,501	NIS 1	NIS 50 million
March 24, 2021	Sale	Delek - The Israel Fuel Corporation Ltd.	-	Ordinary Shares	378,364	NIS 1	NIS 25 million
June 23, 2021	Sale (1)	Delek - The Israel Fuel Corporation Ltd.	-	Ordinary Shares	567,432	NIS 1	NIS 37.5 million

(1) In accordance with the provisions of the Agreement for the sale of Delek - The Israel Fuel Corporation Ltd. (hereinafter - "**Delek Israel**"), 5% of the shares of Delek Israel were deposited in trust and transferred to the buyers in return for payment of the balance of the Consideration.

For further information concerning the transaction for the sale of the Delek Israel holdings, see Section 1.9 above in the Description of the Company's Operations chapter.

Regulation 13: Comprehensive and net income of subsidiaries, investees and affiliates and the Company's revenues therefrom as of the date of the financial statements for the year ended December 31, 2021 (NIS millions).

Company name	Net earnings (loss) for year		Comprehensive income (loss) for the year		Income received by the Company from:					
					Dividend		Interest		Management fees	
	Attributable to the Company's shareholders	Attributable to holders of minority interest	Attributable to the Company's share-holders	Attributable to holders of minority rights	Until December 31, 2021	From January 1, 2022 through date of publication of the Report	Until Decem-ber 31, 2021	From January 1, 2022 through date of publication of the Report	Until December 31, 2021	From January 1, 2022 through date of publication of the Report
Delek Energy Systems Ltd.	**732**	**660**	**723**	**611**	**111**	-	-	-	-	-
NewMed Energy - Limited Partnership	**1,308**	-	**1,352**	-	**385**	**131**	-	-	**1.2**	-
Delek - The Israel Fuel Corporation Ltd.	**94**	-	**94**	-	**38**	-	-	-	-	-
Delek Properties Israel (D.P.) Ltd.	**127**	-	**127**	-	-	-	-	-	-	-
Delek Overriding Royalty Leviathan Ltd. (1)	**(17)**	-	**(17)**	-	-	-	-	-	-	-
Ithaca Energy Limited.	**1,535**	-	**592**	-	-	-	-	-	-	-

(1) A wholly-owned subsidiary of Delek Energy, secured by a lien of the right to receive overriding royalties from the Leviathan Project. For additional details, see Section 1.7.17(b) to the Description of the Company's Business.

Regulation 20: Trading the Company's securities on the TASE, dates and reasons for interruption of trade

Securities listed for trade:

- On April 8, 2021, 63,400 ordinary shares of NIS 1 par value each issued by the Company issued under a shelf prospectus and shelf offering report dated April 7, 2021, were listed for trading.
- On June 28, 2021, 517,806,000 par value Debentures (Series B35) issued by the Company under a shelf prospectus and shelf offering report dated June 23, 2021, were listed for trading.
- On August 1, 2021, 253,000,000 par value Debentures (Series B35) issued by the Company under a shelf prospectus and shelf offering report dated July 29, 2021, were listed for trading.
- On August 8, 2021, 189,064 ordinary shares of NIS 1 par value each, and 47,266 Options (Series 13), which the Company issued under a shelf prospectus and shelf offering report dated August 5, 2021, were listed for trading.
- On August 10, 2021, 85,200 ordinary shares of NIS 1 par value each, issued by the Company in accordance with an immediate report regarding a private placement dated August 5, 2021, were listed for trading.
- On October 14, 2021, 287,910 ordinary shares of NIS 1 par value each, and 82,260 Options (Series 14), which the Company issued under a shelf prospectus and shelf offering report dated October 13, 2021, were listed for trading.
- On October 26, 2021, 360,000,000 par value Debentures (Series B36) issued by the Company under a shelf prospectus and shelf offering report dated October 24, 2021, were listed for trading.
- On November 10, 2021, 66,493,000 par value Debentures (Series B35) issued by the Company in a private placement in accordance with an immediate report dated November 7, 2021, were listed for trading.
- On December 13, 2021, 69,249,000 par value Debentures (Series B36) issued by the Company in accordance with an immediate report regarding a private placement dated December 12, 2021, were listed for trading.

Interruption of trade:

- To the best of the Company's knowledge, in the reporting period there were no interruptions of trade of the Company's securities, other than the short interruptions for publication of the financial statements and announcements of the Company.

Regulation 21: Payments made to senior officers (NIS thousands):

21(A)(1): Below is a breakdown of the benefits given in 2021 to each of the five recipients of the highest benefits among the executive officers at the Company or companies under its control, and which were given to them in lieu of their position in the Company or companies under its control, as recognized in the financial statements in NIS thousand:

Recipient				Benefits in lieu of services					
Name	Position	Employment basis	Rate of holding in equity of the Company	Wages	Management fees	Bonus	Share-based payment	Other	Total
Yossi Abu (1)	CEO of NewMed Energy Limited Partnership	Full-time	-	2,462	-	3,986	809	449	7,706
Yossi Gvura (2)	Served as Deputy CEO of NewMed Energy Limited Partnership until December 31, 2021	Full-time	-	2,288	-	1,775	-	-	4,064
Gilad Meirson (3)	Chairman of the Board - Ithaca Energy Limited	Full-time	-	2,223	-	1,778	-	-	4,001
Idan Wallace (4)	CEO of the Company	Full-time	-	2,485	-	480	-	352	3,318
Bill Dunnett (5) **Bill Dunnett**	Served as CEO of Ithaca Energy Ltd. until April 20, 2021	Full-time	-	1,667	-	926	-	-	2,593

21[A](2): Below is a breakdown of the benefits paid in 2021 to each of the Company's three senior officers who are not among those appearing in the foregoing table, and the royalties awarded them with respect to their tenure at the Company, as recognized in the financial statements, in NIS thousand:

Recipient				Benefits in lieu of services					
Name	Position	Employment basis	Rate of holding in equity of the Company	Wages	Management fees	Bonus	Share-based payment	Other	Total
Gabi Last (6)	Chairman of the Board of Directors	Full-time	0.04%	2,028		368		194	2,589
Tamir Polikar (7)	Executive VP and CFO	Full-time	-	-	1,834	335		148	2,317
Leora Pratt Levin (8)	Executive VP, Chief Legal Counsel, Company Secretary	Full-time	0.01%	1,533		272		165	1,970

21[A](3): Breakdown of the compensation paid in 2021 to each of the Company's interested parties, who are not represented in the foregoing table, with respect to their office in the Company and in its investees, in NIS thousands:

Recipient				Benefits in lieu of services								Other Benefits	Total
Name	Position	Employment basis	Rate of holding in equity of the Company	Wages	Bonus	Share-based payment	Management fees	Consultancy fees	Fee	Other	Directors' compensation		
Yitzhak Sharon Tshuva (9)	Director and controlling shareholder of the Company	-	-	-	-	-	-	-	-	50 - (reimburse-ment of expenses)	-	-	50
Carmit Sharon Elroy (10)	served as a director of the Company until May 31, 2021	-	-	-	-	-	-	-	-	-	100	-	100
Udi Erez (11)	-	-	-	-	-	-	-	-	-	-	318	-	318
Independent director: Roni Milo (12)	-	-	-	-	-	-	-	-	-	-	214	-	214
External directors: Shimon Doron and Ruthy Dahan Portnoy (13)	-	-	-	-	-	-	-	-	-	-	583	-	583

Notes on the figures represented in the tables:

(1) **Mr. Yossi Abu** - serves as CEO of NewMed Energy Management Ltd. (hereinafter - "**NewMed Management**" or the "**General Partner**"), in full time (100%) position since April 1, 2011.

On July 10, 2019, the general meeting of the holders of participating units of NewMed Energy - Limited Partnership (hereinafter - the "Partnership") approved the revised terms of Yossi Abu's office and employment, as of May 1, 2019 through April 30, 2024,1 in accordance with the Partnership's compensation policy (hereinafter - the "2019 Terms"); thus, the terms and conditions of Yossi Abu's term in office and employment are as follows: Yossi Abu's monthly salary is NIS 163 thousand gross (100%) (the salary is revised every 3 months in accordance with the CPI). Yossi Abu is eligible for the customary ancillary benefits for managers on the market, including provisions for pension fund and/or officers insurance; provisions for a study fund; disability insurance; company car (the value in use of the car is included and paid by the employer); communications costs (mobile phone, internet, newspapers, etc.); participation in advanced supplementary professional training; annual leave (including the right for pay in lieu of leave); convalescence pay; duly permitted sick leave; health insurance; severance compensation (as of the date of the 2016 Agreement, Yossi Abu is signed on Section 14 of the Severance Pay Law, 1963, and consequently the severance compensation that he is entitled to receive as of this date is in accordance with this law); reimbursement of per diem expenses from the General Partner that were incurred as part of and for the purpose of fulfilling his role in the General Partner, including for overseas travel expenses. Yossi Abu is also covered under the insurance arrangements and is entitled to officers' indemnification and exemption and is eligible for an annual bonus for each calendar year throughout the term of the employment agreement and a one-time special bonus. In the event of the termination of his employment, he will be eligible for an adjustment bonus and retirement bonus, all in accordance with the current compensation policy.

In addition, the General Partner awarded Yossi Abu, under the 2019 Terms,[2] 2,742,231 phantom units (the underlying asset of which are participation units conferring participating rights in the Limited Partner's interests in Partnership (hereinafter in this section - the "**Phantom Units**"). The Phantom Units will vest[3] in three tranches, such that the first tranche vested on June 1, 2020, the second tranche vested on June 1, 2021 and the third tranche will vest on June 1, 2022. Each tranche included in the total package will be exercisable as from the vesting date for that tranche and up to the end of one year from the vesting date of the third tranche (i.e. until June 1, 2023). The exercise price of the Revised Phantom Units is NIS 10.79 for the first tranche; NIS 11.33 for the second tranche; and NIS 11.89 for the third tranche. According to the valuation that the General Partner received, the financial value of the Revised Phantom Units at December 31, 2021 amounted to NIS 1.2 million (calculated using the Binomial model).

In 2021, Yossi Abu received an annual bonus in the amount of NIS 2,200 thousand for 2020. In June 2021, the compensation committee and board of directors of the General Partner also approved a special bonus for Mr. Abu, equivalent to 5 gross monthly salaries, in the amount of NIS 808 thousand, with respect to commencement of natural gas transmission from the Leviathan Reservoir to Egypt, and the balance of the special bonus up to the amount of one gross monthly salary (maximum limit as per the Compensation Policy) will be paid subject to the required approvals. In addition, on October 31, 2021, the general meeting of the holders of the participation units (following approval by the compensation committee and board of directors of the General Partner), and subject to the approval and closing of the Tamar sale transaction, approved that Mr. Abu will be awarded an additional special bonus equivalent to 6 gross monthly salaries, in an amount of NIS 976 thousand, exceeding the Partnership's compensation policy, in appreciation for his special contribution to advancing and closing the transaction, that was paid by the Partnership.

Mr Yossi Gvura- from July 19, 2012 through December 31, 2021, Mr. Yossi Gvura served as Deputy CEO of the Partnership (90% position) and of the general partner (10% position); respectively, the Partnership (90%) and the general partner (10%) bore the cost of his employment. Yossi Gvura's gross

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[1] The terms of Yossi Abu's former office and employment were set in an employment contract of June 2016, the terms of which were approved by the competent organs of the Partnership (hereinafter - the "**2016 Agreement**").

The phantom units allotted to Mr. Abu under the 2016 agreement expired, due to failure to exercise.[2]

[3] The General Partner may, subject to the approval of the compensation committee and the Board of Directors, approve accelerated vesting in accordance with the terms and conditions set for this purpose in the Partnership's compensation policy.

monthly salary amounted to NIS 125 thousand (his salary was revised every 3 months in accordance with the CPI). In accordance with the terms of his employment, Yossi Gvura was eligible to receive customary social benefits, study fund, full provision for a pension plan, annual leave pay (including option for redeeming leave days), sick leave and convalescence pay. In addition, he was eligible for a Company car as is customary for his position in the Partnership and in the General Partner, and payment of all expenses involved in the use of the car. Yossi Gvura was also eligible for additional fringe benefits, such as his inclusion in insurance arrangements, officers' indemnification and exemption, a fixed-line home telephone and mobile phone, and payment of costs for their reasonable use, a subscription to a daily newspaper of Yossi Gvura's choice, reimbursement of expenses incurred in fulfilling his duties, reimbursement of per diem expenses in accordance with the employer's policy, as they may be from time to time, participation in professional training, customary medical check-ups and private health insurance, at the employer's expense. Every year, Yossi Gvura was eligible for an annual bonus for the preceding calendar year, provided that he was employed by the employer for at least 3 months in that year, as well as a special one-time bonus and engagement/retention bonus, all in accordance with the compensation policy of the Partnership. The employment agreement also contains provisions regarding confidentiality and a non-competition clause, for a period of 3 months. In 2021, Yossi Gvura received an annual bonus in the amount of NIS 875 thousand for 2020, based on the annual bonus components for the Partnership's CEO. On December 31, 2021, Mr. Gvura terminated his position as Deputy CEO of the Partnership. On November 17, 2021, the compensation committee and the board of directors of the General Partner, approved the engagement of the Partnership and the General Partner in a retirement agreement with Yossi Gvura, under which Yossi Gvura will receive an annual bonus of NIS 875 thousand for 2021, and engagement in a consultancy agreement under which Yossi Gvura will provide the Partnership consulting services.

(3) **Mr. Gilad Meirson** - serves as the active chairman of the board of directors of Ithaca. He served as interim CEO of Ithaca from April 20, 2021 through December 31, 2021. Gilad Meirson's annual salary from Ithaca is GBP 450 thousand with the addition of an annual salary of GBP 50 thousand from the parent company of Ithaca, DKL Investment Limited (hereinafter - "**DKL**") where he serves as CEO and director. Gilad Meirson is eligible for an annual bonus based on the discretion of the board of directors of Ithaca. He is also entitled to receive ancillary social benefits, such as insurances and reimbursement of expenses, in accordance with the customary terms for managers at Ithaca. Mr. Meirson has an options agreement for 0.2% of Ithaca shares. In 2021 Gilad Meirson received an annual bonus of GBP 400 thousand with respect to 2020. In addition, In addition, a subsidiary of DKL engaged with Mr. Meirson in a memorandum of understanding in March 2022, with respect to the allotment of restricted stock under Ithaca's new equity plan, and an annual bonus in the amount of USD 1 million for 2021, and annual bonus of USD 1 million for 2022, as well as possible special monetary bonus instead of the equity plan in the occurrence of certain events.

(4) **Mr. Idan Wallace** - serves as CEO of the Company since January 1, 2020. Under the employment contract between Idan Wallace and the Company, dated January 1, 2020, as approved by the competent organs of the Company, Idan Wallace serves as CEO in a full-time position. Under the contract, his employment is for an unlimited term commenced on January 1, 2020. Either party may terminate the employment at any time with 6 months' prior written notice. In any event of termination of his employment, the CEO will be eligible for an adjustment bonus equivalent to 6 monthly salaries (gross). The Company may waive his employment for the prior notice period and terminate the relationship immediately, provided that it pays the CEO the full compensation he would have received for the prior notice period. The CEO's gross monthly salary immediately prior to the report date is NIS 163 thousand. The base salary is linked (upwards only) to the CPI for December 2019, and will be revised accordingly, once every three months. The CEO is eligible to receive social benefits, perks and ancillary terms to his salary, as customary for managers in the Company and in accordance with the Compensation Policy, including provisions for officers' insurance and/or pension fund, provisions for a study fund; company car (inclusion of full tax) and all expenses involved in its use; communications costs (mobile phone, internet, newspapers); annual leave, convalescence pay; letters of exemption and undertaking of indemnification as is customary in the Company, and to be covered by the officers' insurance as customary in the Company. He is also eligible to receive reimbursement of expenses incurred as part of and for the purpose of fulfilling his role, including per diem expenses (as well as overseas travel expenses). He is also eligible to receive an annual bonus that will be fixed each year based on measurable indices, in accordance with the provisions of the Compensation Policy. In July 2021, the Compensation Committee approved granting Idan Wallace a special bonus equivalent to the amount of three salaries in an amount of NIS 480 thousand. It should be noted that in 2021, Idan Wallace received a bonus in the amount of NIS 600 thousand for 2019 in accordance with the Company's previous compensation plan, that was in force in 2019. For further information regarding the previous compensation plan, see Regulation 21 in Chapter D of the Company's Periodic Report for 2020. Gabi Last did not receive a bonus for 2020. It is noted that as of the date of approval

of the 2021 Periodic Report, the Board approved for Mr. Wallace, following approval by the Compensation Committee, an annual bonus in accordance with the compensation plan, totaling NIS 1,421 thousand for 2021; a special bonus of NIS 2,600 thousand was also approved for Mr. Wallace and will be submitted for approval to the Company's general meeting.

(5) **Mr. Bill Dunnett** - served as CEO of Ithaca from August 24, 2020 through April 20, 2021, when he went on sick leave, under an employment contract dated November 19, 2020. Bill Dunnett also served as a director of Ithaca and its subsidiaries. Bill Dunnett's annual salary amounted to GBP 500 thousand and he was eligible for an annual bonus at the discretion of the board of directors of Ithaca. Bill Dunnett was eligible to receive social benefits such as insurances and reimbursement of expenses, in accordance with the customary terms for managers at Ithaca. In 2021 Dunnett received an annual bonus in the amount of GBP 208 thousand. In September 2021 Mr. Dunnett passed away.

(6) **Mr. Gabi Last** – serves as active Chairman of the Board of Directors of the Company under an employment agreement that was approved by the Company on August 30, 2001. Gabi Last has served as Chairman of the Company's Board of Directors since September 4, 2003. His monthly salary under the contract was revised from time to time and immediately prior to the report date amounts to NIS 124 thousand. The salary is linked to the CPI. Gabi Last is eligible for an annual bonus in accordance with the Company's compensation policy.

Apart from the foregoing, Gabi Last is entitled to convalescent pay, annual vacation days, sick leave, provisions to an in-service study fund, reimbursement of job-related expenses, a mobile phone and costs incurred in connection therewith and a company car provided by the Company, as well as maintenance and operating costs. Under the contract, each party may terminate the agreement with three months' advance notice to the other party. The Company may waive employment during the advance notice period and pay a salary for this period. In the event of termination of employment by the Company, Gabi Last is entitled to an acclimation bonus in the amount of six monthly salaries. Under special circumstances, the Company is granted the option of terminating the agreement immediately, without giving an acclimation bonus. In October 2021, following approval by the Company's Board of Directors and Compensation Committee, the Company's general meeting approved granting Gabi Last a special bonus equivalent to the amount of three salaries, in an amount of NIS 368 thousand. It should be noted that in 2021, Gabi Last received a bonus in the amount of NIS 500 thousand for 2019 in accordance with the Company's previous compensation plan, that was in force in 2019. For further information regarding the previous compensation plan, see Regulation 21 in Chapter D of the Company's Periodic Report for 2020. Gabi Last was not paid a bonus for 2020. It is noted that as of the date of approval of the 2021 Periodic Report, the Board approved for Mr. Last, following approval by the Compensation Committee, an annual bonus in accordance with the compensation plan, totaling NIS 800 thousand for 2021

(7) **Mr. Tamir Polikar** - has served as Deputy CEO and Chief Financial Officer of the Company since September 1, 2020, under a service agreement between the Company and Mr. Polikar and a company under his own control, (hereinafter - the "**Management Company**") dated July 23, 2020 (hereinafter in this section - the **"Agreement"**). Under the Agreement, for the first year of the Agreement the monthly management fees amounted to NIS 145 thousand and as of the second year onwards (and as at Reporting Date) the monthly management fee is NIS 158 thousand, plus duly added VAT and against a lawful tax invoice. The management fees are linked to the rise in the consumer price index and will be updated every month (for positive index only). The management fees also include payment for up to 22 working days per year during which the Company will not receive management services from Tamir Polikar, and also in the event that the management services are not provided for a cumulative period of up to 18 working days per year, should Mr. Tamir Polikar be ill. The Management Company is entitled to an annual bonus in accordance with the Company's compensation plan. The Company moved to include Tamir Polikar, and the Management Company, under the Company's customary insurance arrangements. In addition, Tamir Polikar is eligible for reimbursement from the Company for expenses incurred in Israel and/or abroad and in accordance with its general policy on this matter, as well as car expenses and the cost of use of mobile phone which will be paid and grossed up by the Company. Each party may terminate the contract with written prior notice of three months to the other party. In the event of termination of the agreement from the beginning of the second year and until the end of the second year of the agreement, the Management Company will be entitled to an adjustment bonus in an amount equivalent to 4 monthly management fees, with the addition of VAT, in addition to the prior notice; in the event of termination of the Agreement from the beginning of the third year, and onwards, the Management Company will be eligible for an adjustment bonus equivalent to 6 monthly management fees, with the addition of VAT, in addition to the prior notice. The Agreement also contains clauses on copyright protection, confidentiality and non-competition of the CEO for three months from the date of termination of the agreement. In July 2021, the Compensation Committee approved granting a special bonus to Tamir Polikar (by means of the

management company), equivalent to the amount of three salaries in an amount of NIS 335 thousand. Tamir Polikar was not granted a bonus for 2020. It is noted that as of the date of approval of the 2021 Periodic Report, the Board approved for Mr. Polikar, following approval by the Compensation Committee, an annual bonus in accordance with the compensation plan, totaling NIS 1,111 thousand for 2021

(8) **Ms. Leora Pratt Levin** - serves as Executive VP, Chief Legal Counsel and Company Secretary of the Company since 2007. Under Leora Pratt Levin's employment contract, she is eligible for a monthly salary linked to the consumer price index. Leora Pratt Levin's monthly salary was adjusted over the years and as at March 2022, her salary amounts to NIS 101 thousand. Leora Pratt Levin is also eligible for an annual bonus based on the mechanism set out in the Company's compensation policy as described in sub-section 14 below. She is also entitled to insurance under the Company's officers insurance policy, exemption of liability and indemnification arrangements as customary in the Company, as well as vacation pay, annual leave, sick leave, provisions for pension savings and study fund, mobile phone and company car as generally accepted for an executive VP of the Company. The Company bears all expenses incurred for the maintenance of the car. The employment contract also includes Leora Pratt Levin's undertaking to maintain confidentiality and a non-competition clause during her employment at the Company and for three months after termination of her employment at the Company. In July 2021, the Compensation Committee approved granting a special bonus to Ms. Leora Pratt Levin, equivalent to the amount of three salaries in an amount of NIS 272 thousand. It should be noted that in 2021, Leora Pratt Levin received a bonus in the amount of NIS 600 thousand for 2019 in accordance with the Company's compensation policy that was in force during 2019. For further information regarding the previous compensation plan, see Regulation 21 in Chapter D of the Company's Periodic Report for 2020. Ms. Leora Pratt Levin was not granted a bonus for 2020. It is noted that as of the date of approval of the 2021 Periodic Report, the Board approved for Ms. Pratt Levin, following approval by the Compensation Committee, an annual bonus in accordance with the compensation plan, totaling NIS 905 thousand for 2021

Loans: under loan agreements of June 2005 and December 2007, Leora Pratt Levin received in 2006 and 2007, respectively, loans in a total amount of NIS 1,032 thousand for acquiring securities of the Company and of its investees. These loans are linked to the CPI and bear annual interest of 4%. Under the loan agreement, the securities acquired with the loan moneys, were deposited as security for repayment of the loans. Leora Pratt Levin is entitled to sell the collateral provided that the proceeds for the sale will be transferred to the Company to repay the balance of the non-recourse loan. The loan repayment date was extended a few times over the years. The value of the loan principal as at December 31, 2021 is NIS 2.5 million.

(9) **Mr. Yitzhak Sharon Tshuva** - director and controlling shareholder of the Company, for further information concerning reimbursement of expenses paid to the controlling shareholder, see Section A1 to Regulation 22 below.

(10) **Ms. Carmit Sharon Elroy** - the daughter of the controlling shareholder in the company, served as a director of the Company until May 31, 2021, for further information regarding benefits paid to Ms. Elroy, see Section A2 of Regulation 22 below.

(11) **Regular director**

Mr. Udi Erez - is a director of the Company as of July 1, 2020, with accounting and financial expertise. He is eligible to receive expert compensation at the maximum amounts for expert external directors as appears in the Fourth Schedule of the compensation Regulations. The total compensation paid to Mr. Erez in 2021 amounts to NIS 318 thousand (excluding VAT).

(12) **Independent director**

Mr. Roni Milo - serves an independent director, is eligible to receive annual compensation and participation compensation in amounts equivalent to the amounts fixed in the Second and Third Schedule of the Compensation Regulations**.** The total compensation paid to Mr. Milo in 2021 amounts to NIS 214 thousand (excluding VAT).

(13) **External directors**

Mr. Shimon Doron - serves as an external director. He is eligible to receive an annual compensation and participation compensation in amounts equivalent to the maximum amount fixed in the Second and Third Schedules to the Compensation Regulations. The total compensation paid to Mr. Doron in 2021 amounts to NIS 247 thousand (excluding VAT)

Ms. Ruthy Dahan Portnoy - serves as an external director of the Company since August 25, 2020. She has accounting and financial expertise, is eligible for the expert compensation, according to the maximum amount for an expert external director as provided in the Fourth Addendum to the Compensation Regulations. The total compensation paid to Ms. Portnoy in 2021 amounts to NIS 336 thousand (excluding VAT).

(14) Further information regarding the compensation Policy

Pursuant to the requirements of Amendment 20 to the Companies Law, 1999, the Company instituted a compensation policy for the Company's officers. On February 1, 2021, the general meeting of the Company approved a revised Compensation Policy[4] (hereinafter - the "**Restricted Stock**"). In addition, the general meeting approved the amendment of the bonus mechanisms for the Company's CEO and Chairman of the Board of Directors. In accordance with the compensation policy, subject to compliance with the preconditions that were set, the Company's officers will be eligible for an annual bonus that will not exceed NIS 800 thousand with respect to the Chairman of the Board of Directors, 9 monthly salaries with respect to the CEO and senior executives and 6 monthly salaries for other officers The annual bonus will be made up of measurable goals with regard to the performance of the Company and its investees (hereinafter - the "**Measurable Goals**") and a discretionary bonus component based on a performance assessment regarding the fulfillment of duties and performance in a bonus year. The Measurable Goals, including their composition and weight in the bonus formula, and the rate of compliance with them, will be determined annually by the Company's Board of Directors, on the recommendation of the Compensation Committee, all subject to the maximum limits and restrictions set in the compensation policy.

Under the compensation policy, the weight of the Measurable Goals will be 67% of the maximum limit of bonus for the CEO and officers of the Company. The Company's Compensation Committee and Board of Directors set two threshold goals and seven Measurable Goals for the bonus for 2021, according to the following criteria: returns per share compared to the TA 125 index, return on equity, yield on redemption of Debentures (Series B31), issuer rating, capital raising, proceeds from Ithaca for the Company and completion of the equity transaction in Ithaca, according to the weight attributed to each of the goals. In 2021, meeting the goals entitles the CEO and officers (excluding the chairman of the board) to a bonus that constitutes 63% of the maximum bonus under the compensation plan. The chairman of the board will be entitled to a bonus according to the maximum amount awarded to him according to the compensation plan, subject to meeting the Company benchmarks set for the chairman..

Furthermore, according to the compensation policy, the Company's Compensation Committee and Board of Directors may grant a special bonus in cases of the execution of extraordinary strategic transactions or actions that have the potential to advance the Company's business. In July 2021, the Compensation Committee approved granting a special bonus to each of the Company's senior officers, equivalent to the amount of three salaries, for their special efforts in completing the issue of Debentures (Series B35) (hereunder - the "**Special Bonus**").In August and October 2021, the Board of Directors and the general meeting approved, respectively, a special bonus in the amount of NIS 368 thousand to the Chairman of the Board of Directors.

Waiver, Indemnification and Insurance for Officers

For information regarding waiver, indemnification and officers' insurance see Regulation 29(A)(4) below.

Regulation 21A: Control of the Company

The controlling shareholder of the Company is Mr. Yitzhak Sharon (Tshuva), who holds 48.60% of the equity and 50.21% of the voting rights in the Company and 47.97% of the equity, fully diluted, and 49.48% of the voting rights in the Company, fully diluted.

Regulation 22: Transactions with a controlling shareholder

[4] For further information concerning the amendment to the Company's revised Compensation Policy, see the immediate reports issued by the Company on December 24, 2020 (Ref. No: 2020-01-139893), January 25, 2021, (Ref. No.: 2021-01-010980), and February 1, 2021, (Ref. No.: 2021-01-013030).

The controlling shareholder who has a vested interest in all the engagements set forth under Regulation 22 below is Yitzhak Sharon (Tshuva). The vested interest of Yitzhak Sharon (Tshuva) arises from the fact that these engagements are with companies under his control, or with his relatives or with companies under their control.

A. Transactions specified in Section 270 (4) of the Companies Law

1. Engagement with Yitzhak Sharon Tshuva:

The controlling shareholder of the Company, who serves as a director in the Company, contributes his time, experience and vast expertise to advancing the businesses and interests of the Company and its subsidiaries in Israel and abroad, as requested by the Company's management. Yitzhak Tshuva does not receive any directors' fees for his position as director. On October 17, 2021, the general meeting of the Company approved, after the approval of the Compensation Committee and the Board of Directors, for the reimbursement of expenses incurred by Yitzhak Tshuva, for a period of three years from January 1, 2021 through December 31, 2023 under which the Company will reimburse expenses that were and will be incurred by Yitzhak Tshuva with regard to the foregoing consultation services, all against presentation of invoices as required by law.

The foregoing reimbursement mechanism includes an exhaustive list of the types of expenses permitted and does not include a fixed maximum amount of the expenditure. The expenses will be reviewed according to nature, and accepted control and supervision mechanisms will be set up for reviewing the necessity of the reimbursed expenses.

In 2021 the Company paid reimbursement of expenses totaling NIS 50 thousand.

For further information see the immediate reports issued by the Company dated September 12, 2021 (Ref. No: 2021-01-078370 and (Ref. No.: 2021-01-078361), and October 17, 2021, (Ref. No.: 2021-01-156735). The information appearing therein is noted here by way of reference.

B. Transactions not specified in Section 270 (4) of the Companies Law

1. Rental of offices

As of September 2016, the Company's head offices are located in a building owned by the Company in Herzliya. For further information see Section 1.10.1(A) to the Report (hereinafter - the "**Offices**"). The controlling shareholder and private companies under his control rent office space in the Offices.

On December 18, 2016 the Company's audit committee approved the engagement in a lease agreement to rent offices to a private company controlled of the Company's controlling shareholder (hereinafter - the "**Lessee**"), at market terms, based on an opinion prepared by an independent real estate valuation firm for determining the basis for appropriate rental for the rented space. The term of the lease is from September 19, 2016 through September 18, 2021 and includes an option to extend for a further two terms, ending on September 18, 2031. The Lessee notified the Company of the exercise of part of the first option period for a period of one year, i.e., by September 18, 2022 (hereinafter - the "**First Option Period**"). The monthly rental fee is based on the size of the leased offices and on the proportionate size of the public spaces. According to the above, the rental fee per sq.m paid by the Lessee is between NIS 80-85 (depending on which floor) and NIS 40 per sq.m. for a storeroom. The rental is linked to the CPI. The rental increased by 7% in the First Option Period. In addition, the Lessee pays a monthly management fees for the office and public spaces of NIS 15 per sq.m. and NIS 7.5 per sq.m. for the storeroom, and an additional monthly payment for the rental of parking spaces of between NIS 500-700 per parking space. In 2021, the Lessee was charged an amount of NIS 552 thousand (before VAT) for rental and management fees for 2021. It is noted that, pursuant to a resolution adopted by the general meeting concerning the reimbursement of expenses to the controlling shareholder, as set out in Section A1 of Regulation 22 above, the Company provides the controlling shareholder with office space, which is not included in the calculation of the leased space. In addition, accounts are also settled between the Company and the Lessee regarding ongoing expenses involved in maintaining the offices, such as municipal taxes, electricity, office cleaning, refreshments, etc.

2. Engagement with Ms. Carmit Sharon Elroy:

A) Until May 31, 2021, Ms. Elroy, the daughter of the controlling shareholder of the Company, served as a director of the Company. Ms. Elroy was eligible for annual compensation and participation compensation in amounts equivalent to the amount fixed in the Second Schedule and Third Schedule to the Compensation Regulations, as updated from time to time based on the rank at which the Company will be classed as in each fiscal year and in accordance with the of the Company's Audit Committee and Board of Directors confirmation on November 28, 2012, of compliance with the conditions of Regulation 1B(3) of the Relief Regulations, regarding her employment and as the fee paid to her does not exceed the maximum amount permitted under Regulations 4, 5 and 7 of the Compensation Regulation.

The total amount paid to Carmit Elroy by the Company for 2021 (until the termination of her office on May 31, 2021) is NIS 100 thousand (excluding VAT).

B) Ms. Carmit Elroy serves as a director of Delek Israel in accordance with the approval of the general meeting of Delek Israel dated February 21, 2011. As of the date of completion of the sale of the Company's holdings in Delek Israel, on October 26, 2020, she no longer receives any compensation for her service in Delek Israel.

C) Moreover, Ms. Carmit Elroy also serves as a director of Delek Foundation for Education, Culture and Science Ltd. (external director), and does not receive compensation.

3. Engagements with Ms. Keren Eldar:

Keren Eldar, the daughter of the controlling shareholder of the Company, serves as a director of Delek Foundation for Education, Culture and Science Ltd. (external director), and does not receive compensation.

4. Negligible transactions:

Apart from the transactions described above, there are additional agreements that were in effect during the reporting year and which are classified as negligible transactions as defined in Section 9 of the Board of Directors report, as follows: Transactions for providing Delek Israel's Dalkan services; the employment of officers of the Company who provided services to private companies owned by the controlling shareholder of the Company;

Regulation 24: Shares and other securities held by interested parties and executive officers of the Company, in the Company itself, in its subsidiaries and its affiliates, as at December 31, 2021.

For information regarding the holdings of the Company's shares and debentures by its interested parties and executive officers, and for the holdings of interested parties in the shares or other securities of the Company's material investees, see the Company's immediate report regarding the status of the holdings of interested parties and officers dated January 6, 2022 (Ref. No: 2022-01-003961), where the information appearing in said reports are noted here by way of reference.

Regulation 24A: Registered and issued share capital

The Company's registered share capital is NIS 28,000,000, divided into 26,000,000 ordinary shares of NIS 1 par value each, and 2,000,000 preferred shares of NIS 1 par value each.

The Company's issued and paid up share capital as at December 31, 2021 constitutes 18,287,493 ordinary shares. The Company's issued and paid up share capital close to report publication Date is 18,287,793 ordinary shares of NIS 1 par value each.

Delek Financial Investments - Limited Partnership, a wholly-owned subsidiary partnership, holds 586,422 par value ordinary shares of the Company, as at December 31, 2021 and close to reporting date. These shares do not confer voting rights.

Convertible securities - the Company has options exercisable for ordinary shares of the Company, as follows:

1. 498,758 Options (Series 11), exercisable for ordinary shares of the Company (each Option (Series 11) is exercisable for one ordinary share) from December 16, 2020 through to the exercise deadline on June

30, 2023, and this against a cash payment of the exercise price (adjusted for dividend, bonus shares and rights) in the amount of NIS 150. Options (Series 11) are not linked to any index or currency.

2. 259,492 Options (Series 12), exercisable for ordinary shares of the Company (each Option (Series 12) will be exercisable for one ordinary share) from April 2, 2021 through to the exercise deadline on May 31, 2023, and this against a cash payment of the exercise price (adjusted for dividend, bonus shares and rights) in the amount of NIS 150. Options (Series 12) are not linked to any index or currency.

3. 47,266 options (Series 13) exercisable for ordinary shares of the Company (each Option (Series 13) will be exercisable for one ordinary share), from the date of their listing on the TASE through to August 5, 2022, against cash payment of an exercise price (adjusted for a dividend, bonus shares and rights) in the amount of NIS 300. Options (Series 13) are not linked to any index or currency.

4. 82,260 options (Series 14) exercisable for ordinary shares of the Company (each Option (Series 14) will be exercisable for one ordinary share), from the date of their listing on the TASE through to April 14, 2024, against cash payment of an exercise price (adjusted for a dividend, bonus shares and rights) in the amount of NIS 334. Options (Series 14) are not linked to any index or currency.

Regulation 24B: The Company's Shareholders Register

For the registered shareholders of the Company see the Company's immediate report regarding the Company's equity and listed securities and changes therein dated March 28, 2022 (Ref. No. 2022-01-036385), the information therein is noted here by way of reference.

Regulation 25A: Registered address

Address:	19 Abba Eban Blvd., Herzliya	Email:	leorapl@delek-group.com
Telephone:	09-8638444	Fax:	09-8854955
Website:	www.delek-group.com		

Regulation 26: Directors of the company

	Gabriel Last	Yitzhak Sharon Tshuva	Ehud Erez
Position in the Company:	Chairman of the Board of Directors	Director	Director
ID:	004787933	04340003	053615845
Date of birth:	September 9, 1946	July 7, 1948	August 14, 1955
Address for delivery of court documents:	19 Abba Eban Blvd., Herzliya.	19 Abba Eban Blvd., Herzliya.	5 Aluf Kalman Magen St., Tel Aviv.
Citizenship:	Israeli.	Israeli	Israeli, Canadian
Member of board of directors committees:	-	-	-
Independent director:	no.	no.	no.
External director:	no.	no.	no.
If Yes, has accounting and financial expertise or professional qualifications:	-	-	yes.
If Yes, is an expert external director[5]	-	-	-
Is he an employee of the Company, its subsidiaries, affiliates or of an interested party:	Yes, employee of Delek Group Ltd.	Controlling shareholders of the Company.	He provides consultancy services as chairman of the board of Elad Group - a private foreign company owned by the controlling shareholder of the Company.
Commencement of office:	September 4, 2003	September 18, 2014	July 1, 2020
Education:	LL. B from Tel Aviv University; MA in Social Sciences and Mathematics from Haifa University; AMP (Advanced Management Program for executive officers) at Harvard University.	-	BA Economics and Accounting, Hebrew University in Jerusalem.
Occupation during past five years:	Chairman of the Company's board of directors.	The controlling shareholder of public and private companies in the energy and real estate sectors.	Director in various companies.

[5] As the term is defined in Regulation 1 of the Companies Regulations (Regulations for Compensation and Expenses of an External Director), 2000.

	Gabriel Last	Yitzhak Sharon Tshuva	Ehud Erez
Companies in which serves as a director (other than the Company):	Chairman of the board of directors of the following companies: NewMed Energy Management Ltd.; Delek Foundation for Science, Education and Culture (external director). A director of the following companies: Delek Energy Systems Ltd.; Delek Infrastructure Ltd.; Avner Oil and Gas Ltd.; Delek Power Stations Ltd.; Delek Petroleum Ltd.; Delek Group Royalties Ltd., Delek Overriding Royalty Leviathan Ltd., and private SPCs of NewMed Energy Partnership.	-	Southern Properties Capital LTD., MRR Thirteen Limited, Extell Limited, Amos Luzon Group Entrepreneurship and Energy Ltd., Bikurey Hasade Ltd., Sprinkle Business Ltd., Udi Erez Properties Ltd., Buligo Capital Ltd., Mydas Real Estate Investments Ltd., Carasso Real Estate Ltd.
Related to another interested party in the Company:	no.	Controlling shareholders of the Company	no.
Does the Company consider him as having accounting and financial expertise for compliance with the minimum number set for the board of directors under Section 92(A)(12) of the Companies Law:	no.	no.	yes.

	Shimon Doron	Ruthy Dahan Portnoy	Roni (Ron) Milo
Position in the Company:	External director	External director	Director
ID:	056219181	024807927	007538408
Date of birth:	March 9, 1960	February 1, 1970	November 26, 1949
Address for delivery of court documents:	Hagai Street, Moshav Gan Yoshiya	41 Jabotinsky St., Givatayim	26 King David Street, Tel Aviv
Citizenship:	Israeli	Israeli	Israeli
Member of board of directors committees:	Committee for reviewing the financial statements, compensation committee and audit committee.	Chair of the committee for reviewing the financial statements, chair of the compensation committee and chair of the audit committee.	Committee for reviewing the financial statements, compensation committee and audit committee.
Independent director:	yes.	yes.	yes.
External director:	yes.	yes.	no.
If Yes, has accounting and financial expertise or professional qualifications:	Director with professional qualifications.	Director with accounting and financial expertise.	-
If Yes, is an expert external director[6]	no.	yes.	-
Is he an employee of the Company, its subsidiaries, affiliates or of an interested party:	no.	no.	no.
Commencement of office:	October 17, 2018	August 25, 2020	April 1, 2015
Education:	MA Political Science in International Relations, Open University.	MBA (Finance and Accounting), Hebrew University of Jerusalem; BA in Economics, Hebrew University of Jerusalem.	LL.B, Tel Aviv University.
Occupation during past five years:	Serves as CEO of a college being established in Jerusalem and is the owner of a strategic consulting firm, Dynamic teams Ltd. He previously served in a senior position (equivalent to Brigadier General) at the Prime Minister's Office, served as VP of Planning and Logistics at Bar-Ilan University and as Co-CEO of the Island Hotel in Netanya.	He is a financial advisor for TMF - Tailor Made Finance companies and a director of various companies..	Director in various companies.

[6] As the term is defined in Regulation 1 of the Companies Regulations (Regulations for Compensation and Expenses of an External Director), 2000.

	Shimon Doron	Ruthy Dahan Portnoy	Roni (Ron) Milo
Companies in which serves as a director (other than the Company):	Director in The Pincus fund owned by the world Zionist Organization	Director in Mishorim Real Estate Investments Ltd.; Israel Railways. Director in the following: Assuta Medical Centers, Assuta Ashdod.	Ron Milo Management Services (2003) Ltd.; Ron Milo Holdings Ltd.; Rav Bariach (08) Industries Ltd., Director at Cross Israel Highway Ltd.
Related to another interested party in the Company:	no.	no.	no.
Does the Company consider him as having accounting and financial expertise for compliance with the minimum number set for the board of directors under Section 92(A)(12) of the Companies Law:	no.	yes.	no.

(**) Until May 31, 2021 Ms. Carmit Elroy served as a director of the Company.

Regulation 26A: Senior officers in the Company

	Idan Wallace	Tamir Moshe Polikar	Leora Pratt Levin
ID:	033658246	059749408	57906919
Date of birth:	January 8, 1977	August 14, 1965	October 12, 1962
Commencement of office:	January 1, 2020	September 1, 2020 (August 1, 2020)	April 1, 2007
Position in the Company, its subsidiaries, affiliates or interested parties:	CEO of the Company. Director: NewMed Energy Management Ltd. and Delek Energy Systems Ltd.	Deputy CEO and CFO of the Company and director of the Company's subsidiaries: NewMed Energy Management Ltd.; Delek Sea Maagan (2011) Ltd.; Delek Group Israel Holdings Ltd.; Delek Energy; Delek Power Plant Management Ltd.; Delek Petroleum Ltd.; Delek Infrastructures Ltd.; Delek Group Royalty Ltd.; Delek Property Development Ltd.; Delek Leviathan Overriding Royalty Ltd.; Ithaca Energy Ltd.; Delek Hungary Ltd.	Executive VP, Chief Legal Counsel and Company Secretary. Director of the following Delek Group subsidiaries: NewMed Energy Management Ltd.; Delek Energy Systems Ltd.; Delek Group Israel Holdings Ltd.; Delek Sea Maagan (2011) Ltd.; Delek Leviathan Overriding Royalty Ltd.; DKL Energy Ltd.; Delek North Sea Ltd.
Is he/she an interested party in the Company:	no.	no.	no.
Is he/she a family member of another senior officer or of an interested party in the Company:	no.	no.	no.
Education:	LL.B, Tel Aviv University.	BA Accounting, College of Management; MBA, Heriot Watt University, Certified Public Accountant.	BA Political Science, Tel Aviv University, LL.B, Reading University, UK.
Business experience in the past five years:	Executive VP of Delek Group. Previously served as a director and consultant to the Group and its subsidiaries. He previously served as a director of Television News Co. Ltd., and as CEO of Tshuva Group private companies (through Tashluz Investments & Holdings Ltd.).	Real estate developer in Israel and abroad, business advisor and director of Polikar Holdings Ltd.; Serves as a director of Galipoli Real Estate Investments Ltd.; Briza Lgyrp Ltd. and Elysee Downtown Ltd. Previously served as CEO of Aspen Group Ltd.	Executive VP of the Company; Chief Legal Counsel and Company Secretary since 2007.

(*) Until May 31, 2021 Mr. Boaz Schnitzer served as Deputy CEO and CFO of the Company.

(**) Until January 31, 2022, Ms. Tamar Rosenberg served as the Company's CFO and Controller.

	Lena Berenshtein	Gali Gana
ID:	309800381	059674770
Date of birth:	February 12, 1975	June 2, 1965
Commencement of office:	February 1, 2022	January 1, 2016
Position in the Company, its subsidiaries, affiliates or interested parties:	Chief Accountant of the Company.	Chief Internal Auditor of the Company and NewMed Energy Management Ltd.
Is he/she an interested party in the Company:	no.	no.
Is he/she a family member of another senior officer or of an interested party in the Company:	no.	no.
Education:	He holds a BA in Economics from Tel Aviv University.	CPA, MBA specializing in Accounting and MA in Public Administration and Internal Auditing, CISA, CIA, CRMA, and CRISC.
Business experience in the past five years:	Controller in the Company.	A partner and CPA in Rosenblum Holtzman & Co., CPAs.

Regulation 26A: Senior Officers of Subsidiaries controlled by the Company, as defined in Section 37 of the Securities Law:

	Gilad Meirson	Alan Alexander Bruce	Joseph Abu
ID:	051892938	530618512 (Passport No.)	033840372
Date of birth:	March 26, 1976	January 21, 1982	December 7, 1977
Commencement of office:	November 4, 2019	January 1, 2022	April 1, 2011
Position in the Company, its subsidiaries, affiliates or interested parties:	CEO and director of the subsidiary, Ithaca Energy Limited. CEO of the subsidiary, DKL Investments Limited.	CEO and director of the subsidiary, Ithaca Energy Limited.	CEO of NewMed Energy Management Ltd.; director of private SPCs of the Partnership.
Is he/she an interested party in the Company:	no.	no.	no.
Is he/she a family member of another senior officer or of an interested party in the Company:	no.	no.	no.
Education:	BA in Computational Biology, Bar Ilan University.	Msc in Petroleum Engineering Bsc (Hons) in Chemical Engineering Chartered Petroleum Engineer	LL.B, Hebrew University of Jerusalem; Attorney and member of the Israel Bar Association.
Business experience in the past five years:	Chairman of the Board of Directors of the subsidiary, Ithaca Energy Limited; CEO of the subsidiary, DKL Investments Limited; Partner in McKinsey (2012-2017); VP Operations of Theramex (2018-2019).	Various management positions in ConocoPhillips: Bakken Asset Manager Bakken Operations Manager Manager Corporate Strategy	CEO of Delek Energy Systems Ltd. (until March 14, 2020); CEO of Avner Oil and Gas Ltd.; Chairman of the Board of Tamar Petroleum Ltd. (until March 6, 2019); director of Ithaca Energy Systems Ltd. (until March 1, 2018); of various private companies of NewMed Energy Partnership and private companies owned by him.

(*) Until April 4, 2021, Bill Dunnett served as CEO of the subsidiary, Ithaca Energy Limited.

Regulation 27: The Independent Auditors of the Company:

Brightman Almagor & Co., 132 Menachem Begin Avenue, Tel Aviv.

Regulation 28: Amendments to the Articles of Association

In the Reporting Year no amendments were made to the Company's Articles of Association.

Regulation 29: Recommendations and resolutions of the board of directors.

Regulation 29(A)(1):

Board of Directors resolutions regarding the distribution of a cash dividend No dividend was distributed in the reporting year.

Regulation 29(C): Resolutions adopted at a Special General Meeting

A. On February 1, 2021, the Company's general meeting approved the revised compensation policy for the Company's officers and an amendment of the bonus mechanism for the Chairman of the Board of Directors and the CEO of the Company. For further information, see immediate reports issued by the Company on December 24, 2020 (Ref. No. 2020-01-139893); January 25, 2021 (Ref. No. 2021-01-010980) and February 1, 2020 (Ref. No.: 2021-01-013030), where the information appearing in said reports are noted here by way of reference.

B. On March 1, 2021, the Company's general meeting approved a bonus for the Chairman of the Company's Board of Directors. For further information, see immediate reports issued by the Company on February 4, 2021 (Ref. No. 2021-01-014245) and March 1, 2021 (Ref. No: 2021-01-024876), where the information appearing in said reports are noted here by way of reference.

C. On May 12, 2021 the general meeting of the Company confirmed the termination of the service of the Company's independent auditor, accounting firm Kost, Forer, Gabbay & Kasierer, and the appointment of the accounting firm Brightman Almagor Zohar & Co. as the Company's independent auditor from the date of approval by the general meeting; the general meeting also approved the reappointment of Mr. Ehud Erez as a director of the Company, and all as set out in the Meeting Summons Report. For further information, see immediate reports issued by the Company on April 13, 2021 (Ref. No.: 2021-01-063471); May 3, 2021 (Ref. No.: 2021-01-077007) and May 10, 2021 (Ref. No.: 2021-01-081462) and May 12, 2021 (Ref. No.: 2021-01-084102).The information appearing therein is noted here by way of reference.

D. On October 17, 2021, the Company's general meeting approved the extension of the mechanism for reimbursement of expenses to Mr. Yitzhak Sharon Tshuva, the controlling shareholder of the Company, who serves as a director; approved a bonus to the Chairman of the Company's Board of Directors and the appointment of Mr. Shimon as an external director for an additional term of three years, and all as specified in the immediate report of the convening of the general meeting dated September 12, 2021 (Ref. No.: 2021-01-078370 and (Ref. No.: 2021-01-078361), and dated October 17, 2021, (Ref. No.: 2021-01-156735). The information appearing therein is noted here by way of reference.

Regulation 29A: Company Resolutions

Regulation 29A(4) Exemption from insurance and indemnity for officers – valid at the date of the report:

1. Pursuant to the previous resolutions of the Company, the Company decided to grant senior officers an exemption regarding their liability for damages as a result of a breach of their fiduciary duty towards the Company, as set forth in the third section of the sixth part of the Companies Law and to indemnify them (according to and subject to the amendment adopted at the Company's extraordinary general meeting). The letter of indemnification complies with Amendment 3 of the Companies Law, 1999 and the Company's articles of association. Pursuant to the letter of indemnification, as the Company's articles of association include a provision allowing it to undertake in advance to indemnify an officer, provided the undertaking is restricted to the types of events that the board of directors anticipate in view of the Company's actual actions at the time of undertaking to indemnify, in an amount or scope determined by the board of directors to be reasonable under the circumstances, all on account of any liability or expenditure that shall be authorized at that time according to the law at the time the resolution is adopted, the company also undertakes to indemnify the officer for reasonable litigation expenses, including attorneys' fees, such that may be incurred as a result of an investigation or proceedings that shall take place against the officer by any authority certified to launch an investigation or proceeding and that has ended without filing charges against the officer and without a fine being imposed in lieu of criminal proceedings or that has ended without an indictment being filed against the officer, while imposing a fine in lieu of criminal proceedings in a felony that does not warrant the proof of criminal intent.

   In accordance with the new compensation policy brought for approval, the directors and officers may be eligible for letters of exemption under the Companies Law and as set out in the Company's Articles of Association, provided that for new officers who will be appointed to the Company after the date on which the policy is adopted, the letter of exemption will be state that the exemption does not apply for a decision or transaction in which the controlling shareholder or any officer of the Company (also an officer other than the one for whom the exemption is granted) has a vested interest.

2. **<u>Insurance:</u>**

   A. On October 17, 2018 the general meeting of the Company approved extending and/or renewing the insurance policy, or alternatively if necessary, in a collective insurance policy that includes the subsidiaries and affiliates, all or some of them, from time to time, without requiring additional approval of the general meeting, with the insurer or another insurer, in Israel or abroad, so that it will apply for all the officers of the Company and/or most of its subsidiaries and affiliates, including directors and/or officers who are controlling shareholders in the Company or their relatives, at a premium and under terms as will be generally accepted at the date of the extension, renewal or replacement of the insurance policy, and in accordance with the framework terms set out in the resolution, and provided that the limit of liability of the insurance (in the collective policy) will not fall below USD 100 million and will not exceed the amount of USD 250 million per case and per period, and the annual premium for the policy will not exceed the amount of USD 1,500 thousand per year.

   B. In view of the dramatic adverse changes in the directors and officers liability insurance market, especially in the wake of the Covid-19 Crisis, in June 2020 the Company exercised its right under the insurance policy, which ended in June 30, 2020, to purchase runoff insurance that would cover events of professional liability for a further period of seven years applicable from July 1, 2020. Under the foregoing extension, the policy will continue to apply for claims filed during the runoff period for the first time due to events prior to the commencement of the runoff period of July 1, 2020, within the limit of liability under the previous policy, i.e., for a total amount of USD 150 million per claim and cumulatively (including the extended disclosure period of 7 years). The premium that is paid for the foregoing runoff period is USD 1,520 thousand.

   C. On August 25, 2020, after approval by the Company's Compensation Committee and Board of Directors, an insurance policy was approved by the Company's general meeting, which was valid until June 30, 2021. The purchase of the policy that was approved on that date reflected the best insurance offer that could have been purchased under the existing circumstances at that time, inter alia, in view of both the global and the domestic economic crisis caused by the Covid-19 outbreak, at the time of the renewal of the policy, there was a genuine difficulty to purchase a new insurance policy that would cover claims filed due to events from July 1, 2020 onwards,

(hereinafter - the "**New Current Policy**"). The current new policy that was purchased had a limit of liability of USD 25 million per claim and cumulatively, with the addition of reasonable legal fees, at a premium of USD 2.629 million and deductible of up to USD 750 thousand for a securities claim, that will not apply for the officers in the absence of the Company's ability to indemnify them. Furthermore, it was decided to authorize the Company's management to purchase an increase in insurance coverage of up to an additional USD 75 million (in addition to the existing USD 25 million), in exchange for an additional premium, so that the total annual premium for the New Current Policy does not exceed USD 4 million. In August 2020, the Company purchased additional insurance cover with limit of liability of USD 6 million at annual premium of USD 575 thousand.

D. In accordance with the Company's revised compensation policy dated February 1, 2022[7], on June 30, 2021, the Company's Compensation Committee approved the renewal of the officers insurance policy from July 1, 2021 through June 30, 2022, with limit of liability of USD 31 million per claim and cumulatively, with the addition of reasonable legal fees, at an annual premium of USD 3.17 million and deductible of up to USD 750 thousand for a securities claim, that will not apply for the officers in the absence of the Company's ability to indemnify them, in accordance with the previous policy that expired on June 30, 2021.

Delek Group Ltd.

Date of Signature: **March 29, 2022**

Names and titles of the signatories:

Gabriel Last - Chairman of the Board of Directors

Idan Wallace - CEO

[7] For further information concerning the amendment to the Company's revised Compensation Policy, see the immediate reports issued by the Company on December 24, 2020 (Ref. No: 2020-01-139893), January 25, 2021, (Ref. No.: 2021-01-010980), and February 1, 2021, (Ref. No.: 2021-01-013030).

In this context, it should be noted that on July 1, 2020, the Israel Securities Authority (hereinafter - "The Authority") published an update to its legal position regarding best practice compensation policy. As part of the update of its position, the Authority's staff changed its position that in order to use the relief under Section 1B1 of the Companies Regulations (Facilitation of Transactions with Interested Parties), 2000, the compensation policy must include reference to the nature of the policy (premium, framework for revising within three years, limits of liability and deductibles). In the revision of its position, the Authority noted that for the purpose of using the foregoing relief in 1B1, it is sufficient that the details given in the compensation policy include a reference to the scope of the insurance coverage, as long as the cost of the premium and the amount of the deductible comply with market conditions at the time the policy is drawn up, and the cost is not material to the Company.

Chapter E

Annual report for 2021 on the Effectiveness of Internal Controls for Financial Reporting and Disclosure

Delek Group Ltd.

Annual report for the year 2021 on the effectiveness of internal control for financial reporting and disclosure, pursuant to Ordinance 9B(a) of the Securities Ordinances (Periodic and Immediate Reports), 1970

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

For this matter, the members of Management are:

1. Idan Wallace, CEO.
2. Tamir Polikar, Deputy CEO & CFO.
3. Leora Pratt Levin, VP, Chief General Counsel and Company Secretary.
4. Lena Bernstein, Chief Controller

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

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

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

Management, under the supervision of the Board of Directors, has carried out checks and an assessment of the internal controls on financial reporting and disclosures within the Corporation and their effectiveness.

Assessment of the effectiveness of the internal controls on financial reporting and disclosures that Management carried out under supervision of the Board included: Assessment of the risks of reporting and disclosure and determination which are the very material processes for financial reporting and disclosure and which are the applicable businesses units for assessment of the effectiveness of the internal controls, mapping and documentation of the existing controls within the Corporation, assessment of the effectiveness of the planning of the controls, analysis of existing control gaps, assessment of the effectiveness of the operation of the controls, overall assessment of the effectiveness of the internal control. The assessment model for the effectiveness of the internal controls carried out by the Corporation is based upon four components as follows: Entry Level Controls, process of preparing and closing the financial statements, general audits of IT systems (ITGC), and processes that have been identified by management as particularly material procedures for financial reporting and disclosure: Procedure for management of cash and procedure for managing the Corporation's borrowings. The procedures that are particularly material in the consolidated financial statements that are prepared by some of the major consolidated companies, are: revenues cycle, investment in oil and gas exploration and production, insurance reserves.

Based upon the assessment of effectiveness carried out by management under the supervision of the Board as detailed above, the Corporation's Board of Directors and management reached the conclusion that the internal controls on financial reporting and disclosures of the Corporation as of December 31, 2021 were effective.

Declaration of Executives:

(A) Declaration of the CEO in accordance with Ordinance 9B(d)(1)

Declaration of Executives
Declaration of the CEO

I, Idan Wallace declare that:

1. I have reviewed the periodic report of Delek Group Ltd. ("the Corporation") for the year 2021 ("the Reports").

2. To the best of my knowledge, the reports do not include any representations that is not correct and do not lack any representation of any vital, material fact, so that was has been presented, within the context in which they have been provided, shall not be misleading in respect of the period covered by the reports.

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

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

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

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

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

   A. I set controls and procedures or ascertained the setting and upholding of controls and procedures under my supervision, designed to ensure the material information related to the Corporation, including its consolidated companies in their meaning in the Securities (Annual Financial Statements) Ordinances, 2010. was brought to my attention by others within the Corporation or the consolidated companies, in particular during the period in which the reports were prepared; and -

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

   C. I have assessed the effectiveness of the internal controls of the financial reporting and disclosures, and in this report have presented the conclusions of the Board of Directors and Management in respect of the effectiveness of the said internal controls as of the reporting date.

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

March 29, 2022

Idan Wallace
CEO

(B) Declaration of the most senior financial officer pursuant to Ordinance 9B(d)(2)

Declaration of Executives
Declaration of the most senior financial office

I, Tamir Polikar, declare that:

1. I have reviewed the financial statements and other financial information of Delek Group Ltd. ("the Corporation") for the year 2020 ("the Reports").

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

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

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

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

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

   A. set controls and procedures or ascertained the setting and upholding of controls and procedures under my supervision, designed to ensure that material information relating to the Corporation, including its subsidiaries as defined in the Securities (Annual Financial Statements) Ordinances, 2010, insofar as they are relevant to the financial statements and other financial information included in the reports, 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. I set controls and procedures or ascertained the setting and upholding of controls and procedures under our supervision, designed to reasonably ensure the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law, including in accordance with accepted accounting principles;

   C. I have assessed the effectiveness of the internal controls of the financial reporting and disclosures, insofar as it is applicable to the financial statements and other financial information included in the reports as of the reporting date.

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

March 29, 2022

Tamir Polikar
Deputy CEO and CFO