Delek Group

FINANCIAL STATEMENTS

UNAUDITED

AS OF MARCH 31, 2022

IMPORTANT

This document is an unofficial translation for convenience only of the Hebrew original of the March 31, 2022, financial report of Delek Group Ltd. that was submitted to the Tel-Aviv Stock Exchange and the Israeli Securities Authority on May 25, 2022.

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

FINANCIAL STATEMENTS

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TABLE OF CONTENTS

Delek Group

Chapter A

Corporate Description

Update of Chapter A (Description of the Company's Business) to the 2021 Periodic Report[1] of the Delek Group Ltd. ("the Company")

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

A. Referring to Section 1.2 to the Periodic Report - the Group's operating segments

For information concerning an investor presentation on the publication of the annual financial statements for 2021, see the Company's immediate report of March 30, 2022 (Ref. No. 2022-01-032514), included herein by way of reference.

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

A. The Energy in Israel Segment

1. Referring to Section 1.7.1(a) to the Periodic Report - Distribution of profits

On May 23, 2022, NewMed Energy - Limited Partnership (hereinafter - the "Partnership") announced the distribution of profits amounting to 50 million United States dollar (hereinafter - "USD"); the record date for the distribution is May 30, 2022. In accordance with the Partnership's announcement, the profits will be distributed on June 16, 2022. The Company's share of the distribution is USD 27 million.

2. Referring to Section 1.7.2 to the Periodic Report - General environment and impact of external factors

On April 24, 2022, the Ministry of Energy published a review report on developments in the natural gas sector and a summary for 2021, which includes data on the increase in production, local consumption, and export of natural gas in 2021, a review of natural gas prices in the local and global market, a review of development of the transmission system and the distribution network, and reference to the need to formulate a hydrogen strategy in the local market (hereinafter - the "Review Report"). According to the Review Report, in 2021, the Leviathan and Tamar natural gas reservoirs supplied 10.67 BCM and 8.62 BCM, respectively, and the Hadera deepwater LNG terminal supplied 0.2 BCM. In addition, the total amount supplied in 2021 was 19.47 BCM, 21% more than in 2020. In addition to the increase in consumption, there was a notable increase in natural gas exports to Egypt and Jordan, which amounted to 7.14 BCM in 2021, 68% more than in 2020. Below are figures from the Review Report showing the distribution of consumption of natural gas produced in 2021:[2]

Years	2016	2017	2018	2019	2020	2021	Change in 2020-2021
1. Total supply of natural gas (BCM)	9.66	10.35	11.13	11.28	16.11	19.47	21%
2. Total consumption of natural gas in the local market (BCM)	9.66	10.27	10.97	11.03	11.8	12.33	4%
2a. Consumption of natural gas for generation of electricity (BCM)	8.04	8.54	9.08	8.81	9.29	9.71	5%
2b. Consumption of natural gas in industry (BCM)	1.62	1.73	1.89	2.22	2.51	2.62	4%
2c. Consumption of natural gas in the distribution network (BCM)	106	160	194	262	254	299	18%
3. Natural gas for export (BCM)	0	0.07	0.13	0.22	4.25	7.14	68%
4. Deployment of the distribution network (km)	102	235	288	358	414	575	39%

[1] The update contains material changes or developments in the Company's business from the publication date of the periodic report for 2021 as published on March 30, 2022 (Ref. No. 2022-01-038020) (hereinafter - the "**Periodic Report**") and up to immediately prior to the date of this report, in any matter requiring disclosure in the Periodic Report.

[2] For further details, see: https://www.gov.il/he/departments/publications/reports/ng_2021.

3. Referring to Section 1.7.4(e) to the Periodic Report - Plan for development of the Leviathan Reservoir

Further to the Company's immediate report of July 13, 2021 (Ref. No. 2021-01-052153), regarding a decision to carry out the Leviathan-8 development and production drilling in the area of the I/14 Leviathan South lease, it should be noted that the drilling is progressing according to plan, schedule and budget, and is expected to be completed in the coming weeks. According to the development plan for the reservoir, the drilling will be connected to the existing subsea production system of the Leviathan Reservoir in the first quarter of 2023, after completion operations.

4. Referring to Section 1.7.5 (K) to the Periodic Report - Plan for development of the Aphrodite reservoir

As at the approval date of the report, the partners in the Aphrodite reservoir are working with the government of Cyprus to revise the reservoir development and production plan to integrate reservoir development with existing facilities and/or development plans of adjacent assets. Accordingly, the partners decided on an agreement with a drilling rig for carrying out the Aphrodite A-3 drilling in the Block 12 area, which will later be used as a production well, and are also working to update the date of implementation thereof.

5. Referring to Section 1.7.8 to the Periodic Report - Yam Tethys project

In May 2022, the Yam Tethys project partners approved an addition to the plugging and decommissioning budget, such that the budget amounts to USD 232 million. (100%).

6. Referring to Section 1.7.6 (A) to the Periodic Report - 405/Ofek Hadash license (hereinafter - the "Ofek Hadash License")

On May 22, 2022, the Partnership notified the other rights holders in the Ofek Hadash License that it will no longer agree to bear any additional expenses in connection with the work in the Ofek-2 well, other than the well decommissioning expenses, and that it does not intend to support any offer to extend the license period made prior to the expiry date of the license, which is June 20, 2022. For more information, see the Company's immediate report dated May 23, 2022 (Ref. No. 2022-01-062491), the details of which are included herein by way of reference, as well as Note 4F to the Financial Statements attached below.

7. Referring to Section 1.7.9C to the Periodic Report - Dispute with Energean regarding payment of the balance of the consideration under the agreement

On March 24, 2022, Energean Oil & Gas plc (hereinafter - "Energean") informed the Partnership that it believes that it is operating under a force majeure covenant as defined in the agreement for the sale of rights, and as a result, the annual payment, set for March 2022, will be postponed. As at the approval date of the report, the Partnership is taking legal action against Energean.

8. Referring to Section 1.7.12C to the Periodic Report - Agreements for the supply of natural gas from the Leviathan Project

In the first quarter of 2022 up to the approval date of the report, the Partnership signed a number of additional agreements with customers in Israel for the sale of natural gas from the Leviathan Project, in immaterial amounts.

9. Referring to Section 1.7.12D(3) to the Periodic Report - Agreements for the supply of condensate from the Leviathan Reservoir

Further to the assessment of the Leviathan partners, together with Petroleum & Energy Infrastructures Ltd. (hereinafter - "PEI"), of the option for the flow of condensate from the Leviathan Reservoir, it should be noted that on April 26, 2022, Chevron Mediterranean Limited (hereinafter - "Chevron") and PEI signed a memorandum of understanding, which, subject to the signing of a binding agreement, regulates an alternative mechanism for the flow of condensate through the existing systems of PEI. As at the approval date of the report, the parties are working to sign a binding agreement.

10. Referring to Section 1.7.13(B)(5)(e) to the Periodic Report - Transmission agreements with INGL for export to Egypt

In May 2022, Chevron notified the Partnership that it had received notification from Israel National Gas Lines Ltd. (hereinafter - "INGL") that, although the transmission date for the supply of gas in the Ashdod-Ashkelon offshore transmission section was extended for up to 6 months, the gas flow commencement date is expected to begin remains April 2023.

11. Referring to Section 1.7.17(C) to the Periodic Report - Leviathan Bond debentures

On May 22, 2022, the General Partner's Board of Directors approved a plan to purchase the debentures issued by Leviathan Bond Ltd., a wholly owned subsidiary of the Partnership, at a cumulative cost of up to USD 100 million, for a period of two years.

12. Referring to Section 1.7.20 of the Periodic Report - Restrictions and supervision of the Partnership's operations

A. On April 12, 2022, the Ministry of Energy issued a call for public comments on the possible use of hydrogen as an industrial energy source, whether as pure hydrogen or natural gas mixed with different rates of hydrogen.3

B. On March 14, 2022, the Natural Gas Market Council (hereinafter - the "Council") published a draft decision for public reference, proposing that as from May 1, 2022, the transmission tariff will be reduced, as follows: the capacity tariff will be reduced by 17.2% to NIS 0.6244 per MMBTU, the flow tariff will be reduced by 17.6% to NIS 0.1073 per MMBTU, and the flow tariff in the transmission system for consumers connected to the distribution network will be reduced by 17.2% to NIS 0.7646 per MMBTU (hereinafter in this section - the "Draft Decision"). According to the Draft Decision, the main parameters underlying the reduction of the tariff are the increase in demand in the local market and exports. To the best of the Partnership's knowledge, a binding decision has not yet been published on the matter.4

C. On March 14, 2022, the Council published a draft decision on the establishment of a system-wide tariff, under which a proposal was published to set a system-wide tariff intended to finance essential projects to improve and develop the natural gas sector, which will apply to transmission consumers paying transmission fees. In addition, the system-wide tariff will not be dependent on other tariffs, it will be managed by INGL, and the Council will discuss the tariff and revise it once a year.5

At the same time, the Council published a draft decision to set a system-wide tariff for 2022, with a proposed system-wide tariff of NIS 0.0554 per MMBTU, and it is expected to be used for the following purposes: (1) payment of compensation to a landowner under Section 28A of the Natural Gas Market Law, 2002; (2) assessment of the effect of the developing hydrogen sector on the infrastructure of the natural gas sector; 3) statutory planning for storage at the Rosh Zohar Reservoir; and (4) construction of a redundancy line for Arad.

D. In April 2022, the Commissioner of Petroleum Affairs notified Chevron that as from June 1, 2022 and until September 15, 2023, the Leviathan partners are required to guarantee the supply of natural gas to the local market in a quantity exceeding the daily quantity the Leviathan partners undertook to supply to the local market under the agreements for gas supply. The Partnership believes that this announcement is not expected to affect the its operating results for 2022.

13. Section 1.7.24 to the Periodic Report - The Natural Gas Market Law and related regulations

On February 28, 2022, the Natural Gas Market Bill (Amendment 11), 2022, was brought to the Knesset for the first reading, proposing, among other things, to amend the provisions relating to the declaration of an "emergency" in the natural gas sector and to allow secondary trade in gas to an electricity provider.[6]

14. Referring to Section 1.7.34 to the Periodic Report - Legal proceedings

A. Further to Section 1.7.34(a) to the Periodic Report, regarding an appeal filed with the Supreme Court against the judgment of Tel Aviv District Court, which dismissed the motion for certification of a class action filed by a consumer of the Israel Electric Corporation Ltd. (hereinafter - "IEC") against the Tamar partners, regarding the price of natural gas sold by the Tamar partners to IEC, it should be noted that on May 4, 2022 the Attorney General submitted her response to the appeal, stating that the appeal should be dismissed because a class action is not the effective and fair way to resolve the dispute, primarily because the Gas Framework includes comprehensive regulation for the gas price. A hearing of the appeal has been scheduled for January 9, 2023.

B. Further to Section 1.7.34(l) to the Periodic Report regarding an administrative investigation of the Company and the Partnership by the Israel Securities Authority, regarding the possibility of reducing the annual take or pay amount in the agreement for export to Egypt, it should be noted that on April 12,

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3 For further details, see: https://www.gov.il/he/departments/publications/Call_for_bids/ng_120422.

4 For further details, see: https://www.gov.il/he/departments/news/ng_150322.

5 For further details, see: https://www.gov.il/he/departments/publications/Call_for_bids/shimua_50322_1.

6 For further details, see: https://main.knesset.gov.il/Activity/Legislation/Laws/Pages/LawBill.aspx?t=lawsuggestionssearch&lawitemid=2190402.

2022, the Company and the Partnership received (separately) notice from the Israel Securities Authority that the administrative investigation had been closed, after the chairperson of the Securities Authority decided not to open an administrative enforcement proceeding against the Company/the Partnership on the subject.

15. Sections 1.7.35(D) to the Periodic Report - Restructuring transaction

On April 4, 2022, the Supreme Court handed down a ruling, according to which the motion for an injunction to stay its execution by the holders of the participating units in the Partnership was struck out, in accordance with the agreements between the parties.

16. Natural Gas and condensate production data from the Leviathan Project for the first quarter of 2022:[7][8]

		Q1
		Natural gas
Total output (attributable to the equity holders of the Company) in the period (in MMCF for natural gas and MBBL for condensate)		23,795
Average price per output unit attributable to equity holders of the Company (USD per MCF and per barrel)		5.67
Average royalties (any payment derived from the output of the producing asset, including the gross income arising from the oil asset) paid per output unit (attributable to equity holders of the Company) (USD per MCF and BBL)	The State	0.61
	Third parties	0.15
	Interested parties	0.07
Average proceeds for royalties (all compensation arising from the output of the producing asset, including from the gross income from the oil asset) received per production unit (attributable to the Company's share) (USD per MCF)		0.13
Average production costs per output unit (attributable to equity holders of the Company) (USD per MCF and BBL)9,10		0.76
Average net proceeds per output unit (attributable to equity holders of the Company) (USD per MCF and BBL)		4.21

B. The Energy Abroad Segment

1. Referring to Section 1.8.1(G) of the Periodic Report

For further information about the reserves report, contingent resources, and discounted cash flow for Summit Exploration and Production Limited, see the Company's immediate report of April 26, 2022 (Ref. No.: 2022-01-051169), the details of which are included by way of a reference.

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

As at March 31, 2022 and the approval date of the report, Ithaca is in compliance with the financial covenants and operational conditions set out in the reserve-based lending (RBL) agreements, as set out in Section 1.8.18(B)(5) to the Periodic Report.

3. Referring to Sections 1.8.25 and 1.20.2 to the Periodic Report

On April 7, 2022, Ithaca Energy (UK) Limited, a subsidiary of Ithaca, signed an agreement with the partnership Siccar Point Energy Luxembourg SCA (hereinafter - the "Transaction" or the "Siccar Point Transaction"), for the acquisition of the entire share capital (100%) of Siccar Point Energy (Holdings)

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

8 As the overall cost of condensate production in the first quarter of 2022 exceeded the overall revenue from such condensate, and as condensate is a by-product of natural gas production, the table does not present separate date for condensate production; all costs and expenses associated with condensate production were attributed to natural gas production.

9 The figures include current production costs only and exclude reservoir exploration and development costs or the Company's future tax payments.

10 It is noted that the average production costs per output unit include natural gas transmission costs using INGL's pipeline to EMG's connection point in Ashkelon for supplying gas to Egypt. In the first quarter of 2022, these costs totaled USD 25.1 million (100%).

Limited. Completion of the transaction is intended, among other things, to increase the existing asset base in the Company's foreign energy sector and Ithaca's long-term share in reserves of oil and gas assets, and to advance the possibility of issuing and listing Ithaca's shares. Ithaca believes that it may be possible to complete the transaction at the end of the second quarter of 2022. For more information, see the Company's immediate report dated April 7, 2022 (Ref. No. 2022-01-037854), the details of which are included herein by way of reference.

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

A. Production data attributable to the Company's share in Captain-area assets for the first quarter of 2022:

	First quarter		
	Oil	**Natural gas**	**Condensate**
Total output in the period	1,659,600 bbl	-	-
Average price per output unit (attributable to equity holders of the Company) (USD per BOE)	89.7	-	-
Average production costs per output unit (USD per BOE)	22.5	-	-
Net production costs per output unit (USD per BOE)	67.2	-	-

B. Production data attributable to the Company's share in the GSA Project for the first quarter of 2022:

	First quarter		
	Oil	**Natural gas**	**Condensate**
Total output in the period	393,131 bbl	4,444 mcf	129,708 bbl
Average price per output unit (attributable to equity holders of the Company) (USD per BOE)	96.3	181.0	71.8
Average production costs per output unit (USD per BOE)	8.9	8.9	8.9
Royalties to third parties (every payment derived from the output of the on-production asset, including from the gross income from the oil asset) paid per output unit (attributable to equity holders of the Company) (USD per BOE)	2.0	2.0	2.0
Net production costs per output unit (USD per BOE)	85.4	170.1	61.0

C. Production data attributable to the Company's share in Ithaca-operated asset group for the first quarter of 2022:

	First quarter		
	Oil	**Natural gas**	**Condensate**
Total output in the period	631,075 bbl	2,890 mcf	70,866 bbl
Average price per output unit (attributable to equity holders of the Company) (USD per BOE)	92.4	192.5	73.8
Average production costs per output unit (USD per BOE)	32.2	32.2	32.2
Net production costs per output unit (USD per BOE)	60.2	160.3	41.6

D. Production data attributable to the Company's share in Ithaca's other active oil assets for the first quarter of 2022:

	First quarter		
	Oil	Natural gas	Condensate
Total output in the period	952,558 bbl	6,250 mcf	242,038 bbl
Average price per output unit (attributable to equity holders of the Company) (USD per BOE)	116.2	171.1	55.3
Average production costs per output unit (USD per BOE)	14.4	14.4	14.4
Net production costs per output unit (USD per BOE)	101.8	156.7	40.9

Part Four – Matters Relating to the Company as a Whole

A. Referring to Section 1.10(B) to the Periodic Report - Property in Acre

The Company reports that the period of the terminating conditions has ended and the buyer waived the fulfillment of the terminating conditions, all in accordance with the addendum to the sale agreement, and the sold land (75%) was handed over the buyer.

B. Referring to Section 1.11 to the Periodic Report - Human capital

On March 31, 2022, Gabriel Last completed his term as chairperson of the board of directors, and as from April 1, 2022, Ehud Erez serves as acting chairperson of the Company's board of directors; for further information see the Company's immediate report of March 30, 2022 (Ref. No.: 2022-01-038161) and (Ref. No.: 2022-01-038206), the details of which are included by way of a reference.

C. Referring to Section 1.14 to the Periodic Report - Financing

1. Referring to Section 1.14.12 to the Periodic Report - Credit rating

On April 14, 2022, Midroog Ltd. rating agency announced an issuer's comment stating, among other things, that the Siccar Point transaction, if completed, is expected to contribute to the profile of the investees portfolio, with the increase in reserves and the daily production rate of Ithaca and the loss carryforwards in significant volumes in the acquired company. For more information, see the Company's immediate report dated April 14, 2022 (Ref. No. 2022-01-048436), the details of which are included herein by way of reference.

2. Referring to Section 1.14.13(G) to the Periodic Report - Brief description of the main pledges provided in favor of the holders of the Company's debentures (Series B31 and B34) according to the amendments to the deeds of trust (Series B31 and B34):

Brief description	Information
399,202,389 participation units of NewMed Energy of NIS 1 par value, which constitute 34% of the participation units of NewMed Energy	See Note 18 to the Financial Statements for 2021 as published on March 30, 2022 (Ref. No. 2022-01-038020) (hereinafter in this table - "the Financial Statements / Board of Directors' Report for 2021").
25% of the share capital of Delek Israel	See the financial data attached as Appendix C to the Board of Directors' Report
25% of the share capital of Delek Properties	See the financial data attached as Appendix C to the Board of Directors' Report
Pledges on all the Company's rights under 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 Plants Limited Partnership;	See the "Loans and Capital Notes to Investees" section and "Investments in Investee Companies and Partnerships" section from the financial data of the consolidated balance sheet attributable to the Company in Note 10 to the Financial Statements for 2021. To the best of the Company's knowledge, the value of the loans and capital notes is not materially lower than their carrying amounts.

Brief description	Information
586,422 shares of the Company, which are held by Delek Financial Investments;	See “Treasury Shares” in Chapter 5 to the Board of Directors’ Report, “Sources of Financing and Liquidity”.
Rights by virtue of the loans provided to third parties - a pledge was registered with respect to a loan provided by the Company to Belenus Lux S.a.r.l.	See “Seller’s Loan - Transaction for the Sale of The Phoenix Shares” in the Board of Directors’ Report for 2021 and Note 3A to the Consolidated Interim Financial Statements as at March 31, 2022.
100% of the issued and paid up capital of Delek Overriding Royalty Leviathan Ltd.	See the financial data attached as Appendix B to the Board of Directors’ Report. Also see details 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.

D. Referring to Section 1.19 of the Periodic Report - Legal Procedures

Further to Note 23A2(9) to the Company's Annual Financial Statements, in Chapter C of the Periodic Report, regarding a motion for certification of a claim as a derivative claim in the name of the Delek Foundation for Science, Education and Culture Ltd. (hereinafter -"Delek Foundation"), and in connection with a motion filed by Delek Foundation to the Tel Aviv District Court, pursuant to Section 345F of the Companies Law, 1999 (hereinafter - the “Motion”) for ratification of donations given by it in the past to the Western Wall Heritage Foundation. On May 15, 2022, the Registrar of Associations’ response in connection with the Motion was filed, expressing a positive position with respect to the Motion and its acceptance, and a date was set for hearing the motion.

Delek Group Ltd.
Date: May 24, 2022
Names and titles of signatories:
Ehud Erez, Chairmperson of the Board
Idan Wallace, Chief Executive Officer

Chapter

B

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

May 24, 2022

Delek Group Ltd.

Board of Directors' Report on the State of the Company's Affairs
For the three months ended March 31, 2022

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 three months ended March 31, 2022.

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 properties 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 the sale or acquisition of holdings by the Company. 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") 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, in view of the aforesaid, 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 sectors of renewable energy and blue hydrogen produced from natural gas, as a potential low carbon alternative for energy consumers.
- As at the approval date of the financial statements, the partners in the Leviathan Project are continuing the development and production of the Leviathan-8 well, and it is expected to be completed in the coming weeks. According to the development plan, the drilling will be connected to the existing subsea production system of the Leviathan Reservoir in the first quarter of 2023, after completion operations.
- Furthermore, as the approval date of the financial statements, the partners in the Aphrodite Reservoir are working with the government of Cyprus to revise the reservoir development plan to combine the development and production plan of the reservoir with the existing facilities and/or development plans of adjacent assets. Accordingly, the partners decided on an agreement with a drilling rig for carrying out the Aphrodite A-3 drilling in the Block 12 area, which will later be used as a production well, and are also working the update the execution date.
- Subsequent to the balance sheet date, in May 2022, NewMed Energy declared the distribution of a dividend in the amount of USD 50 million. The Group's share in this amount is USD 27 million.

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 February 2022, Ithaca completed a transaction for the acquisition of the full share capital of Marubeni Oil and Gas (UK) (Limited), which operates in the field of energy in the North Sea area; the Company 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 (subject to adjustments prescribed by the agreement), of which USD 70 million is deferred consideration, payable in 2025. In addition, contingent consideration was set, which may reach up to USD 255 million on fulfillment of certain conditions. According to the NSAI report published by the Company, as at December 31, 2021, Marubeni has proved + probable reserves (2P) amounting to 23.4 million BOE and the discounted cash flow in respect of these reserves, at a discount rate of 10%, amounts to USD 404.6 million (see the sensitivity analyzes in the report).

  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.

  The Group consolidates the assets, liabilities, and operating results of Marubeni in the financial statements as from the completion date of the transaction, and the value of the assets and liabilities as at the acquisition date is set in accordance with a provisional measurement based on the draft valuation of an external appraiser. In accordance with the draft valuation, in the reporting period, the Group recognized a gain from a bargain purchase in the amount of USD 601 million (NIS 1.9 billion), mainly due to recognition of a deferred tax asset in the amount of USD 658 million (NIS 2.1 billion) for Marubeni's losses for tax purposes and due to an increase in the price of oil and gas between the date the transaction terms were established and the completion date.

  For more information, see Note 3B(1) to the consolidated interim financial statements.

- 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.

- As part of its strategic plan for listing its shares on the London Stock Exchange, and to expand and extend its production profile, subsequent to the balance sheet date, on April 7, 2022, Ithaca signed an agreement with a foreign partnership for the acquisition of the entire share capital (100%) of Siccar Point Energy (Holdings) Limited, which owns rights at different rates in producing oil and gas assets and commercial discoveries in the North Sea region (hereinafter - the "Acquired Company"). According to the information presented by the seller to Ithaca, the quantity of proven and probable reserves (2P) and the quantity of contingent resources in the 2C best estimate attributable to the share of the Acquired Company in all its oil assets, as at December 31, 2021, is estimated at 255 MMBOE, of which 54 million MMBOE are proven and probable reserves (2P) and substantial tax loss carryforwards of approximately USD 3 billion.

  It should be noted that in addition to the producing fields, the Acquired Company holds rights in undeveloped commercial discoveries in the North Sea region, which include rights at a rate of 70% in the Cambo reservoir, in which the Acquired Company is the operator, and rights at a rate of 20% in the Rosebank reservoir. To the best of Ithaca's knowledge, these reservoirs are the two largest undeveloped oil discoveries in the North Sea region, and their development today is of high importance as part of the efforts of the UK government to develop local energy infrastructure to ensure energy independence in view of the war in Europe.

  In addition, if the transaction is completed, and taking into account the current output in the oil assets of the Acquired Company, the total daily output of Ithaca may reach 75-85 thousand barrels of oil.

  The transaction was intended, among other things, to increase the Company's existing asset base and Ithaca's share in the oil and gas reserves in the North Sea, and to position it as one of the leading companies in the oil and gas sector in the North Sea.

  The non-contingent consideration set out in the agreement for the entire share capital of the Acquired Company amounts to USD 1.1 billion, subject to standard adjustments, to be paid on the closing date of the transaction. In addition, contingent consideration was set, which may reach up to USD 360 million under certain conditions.

- Ithaca intends to finance the consideration from Ithaca's RBL facility, which can be withdrawn, and from the cash expected to accrue in the reserves of Ithaca and the Acquired Company starting from January 1, 2022 and up to the completion of the transaction. It should be clarified that Delek Group has not undertaken any commitment for execution of the transaction.

- The completion of the Transaction depends, among other things, on fulfillment of the conditions precedent set in the Acquisition Agreement, including receipt of generally accepted regulatory approvals from the UK Oil and Gas Authority. Ithaca believes that the transaction may be completed at the end of the second quarter of 2022. According to the agreement, the date for fulfillment of the preconditions will be no later than nine months after signing the agreement.

- In the reporting period, Ithaca received approval from the local oil and gas authority to develop the Abigail reservoir in the GSA area. Production from the reservoir is expected to begin in 2022. In addition, in the reporting period, production from the Jade South field began.

- 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 oil and gas opportunities in the North Sea, which will increase output capacity and the number of its reservoirs and which will increase value for the Company's holdings 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 March 31, 2022 at NIS 208 million, based on the valuation prepared by an external appraiser. In view of the above, in the reporting period, the Company recognized profit in the amount of NIS 19 million, which is presented under profit from discontinued operations, net.

  For more information, see Note 3A to the consolidated interim financial statements.

Issuance of shares and warrants

- During the reporting period, 300 Options (Series 12) were exercised for 300 shares of NIS 1 par value of the Company in consideration for a negligible amount.
- As of March 31, 2022, the Company's issued and paid-up share capital totaled 18,287,793 shares of NIS 1 par value, each. Options in circulation: 498,758 Options (Series 11), 259,492 Options (Series 12), 47,266 Options (Series 13), and 82,260 Options (Series 14).
- Subsequent to the balance sheet date, in May 2022, 500 Options (Series 11) were exercised for 500 shares of NIS 1 par value of the Company in consideration for a negligible amount.

  Shortly before the approval date of the financial statements, after the exercise of the options, the issued and paid-up share capital of the Company amounts to 18,288,293 shares of NIS 1 par value each. Options in circulation: 498,258 Options (Series 11), 259,492 Options (Series 12), 47,266 Options (Series 13), and 82,260 Options (Series 14).

Debentures

- In March 2022 a fourth amendment to the deed of trust of debentures (Series B18, B19, B31 and B34) was approved, according to which the Company will repay early 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 made early repayment of the Debentures (Series B18 and B19) in the amount of NIS 385 million.

  In addition, under the amendment to the deed of trust as aforesaid, the Company completed an exchange tender offer in which NIS 832 million par value Debentures (Series B31) were exchanged for Debentures (Series B34), which have a longer maturity date.

3. Results of Operations

A) The net profit attributable to the Company's shareholders totaled NIS 2,539 million in the reporting period, as compared to a net profit of NIS 279 million in the same period last year.

The increase in profit in the reporting period compared with the corresponding period last year is due to the increase in oil and gas prices in the first quarter of 2022, which resulted in an increase in current profits from the North Sea energy sector and a gain from the bargain purchase amounting to NIS 1.9 billion, which Ithaca recognized in the reporting period due to completion of the Marubeni transaction, as described above (see also Note 3B to the consolidated interim financial statements).

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

	1-3/2022	1-3/2021	2021
Oil and gas exploration and production in and around Israel 1)	130	166	613
Oil and gas exploration and production in the North Sea 2)	615	141	836
Contribution of continuing operations before discontinued operations and capital and other gains	**745**	**307**	**1,449**
Other profits, net, in the oil and gas sector	1,901	-	193
Finance, tax, and other income (expenses) 3)	(107)	(28)	(210)
Net profit attributable to Company shareholders	**2,539**	**279**	**1,432**

1) Not including royalty rights from the Karish and Tanin leases, depreciation of appraisal and development assets, impairment of oil and gas assets, and capital losses, which were included under finance, tax, and other revenues (expenses).

2) In the reporting period, not including profit from the bargain purchase, and in 2021, not including profits due to the reversal of the provision for impairment of oil and gas assets in the North Sea and a non-recurring loss for Ithaca due to refinancing. These items were included in the finance, tax and other income (expenses) item

3) In the reporting period, mainly including gain from the bargain purchase for the Marubeni transaction, net of acquisition costs, in the amount of USD 601 million (NIS 1.9 billion). In 2021, a profit was recorded from the reversal of the provision for impairment in the amount of USD 166 million (NIS 536 million), mainly for GSA, a loss in the amount of NIS 208 million from the adjustment of the consideration in the sale of the Tamar Reservoir, and a loss in the amount of NIS 37 million for adjustment of the liability for disposal in Yam Tethys. In addition in 2021, a loss was included in respect of one-off expenses arising from Ithaca due to the refinancing in the amount of USD 36 million, net of tax (approximately NIS 108 million).

4) In the reporting period, the line item includes NIS 19 million in gains on changes in the fair value of a seller's loan extended to The Phoenix's buyers (in 2021 - a gain of NIS 86 million; and in the corresponding period - a gain of NIS 70 million); in 2021 - a 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 addition, this item included the Group's share in the results of Delek Israel and Delek Israel Properties (the total operating profit from Delek Israel and Delek Israel Properties in the reporting period amounted to NIS 3 million; in the corresponding period the total profit amounted to NIS 6 million; and in 2021, the total profit amounted to NIS 53 million). In addition, in 2021, this item includes profit from the exercise of deferred consideration and options granted to Delek Israel buyers in the amount of NIS 10 million, and in the corresponding period, NIS 7 million.

B) Revenues from operating activities (NIS millions):

The Group's revenues in the reporting period totaled NIS 3,066 million, as compared to NIS 1,910 million in the same period last year, as detailed in the table below (NIS millions):

	1-3/2022	1-3/2021		2021
Oil and gas exploration and production in and around Israel	684	778		3,231
Oil and gas asset development and production in the North Sea	2,381	1,126		4,736
Other segments including adjustments	1	6		6
Total revenues	**3,066**	**1,910**		**7,973**

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

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

	1-3/2022	1-3/2021		2021
Oil and gas exploration and production in and around Israel	412	492		1,544
Oil and gas asset development and production in the North Sea	2,995	382		2,939
Other segments including adjustments	(4)	(3)		147
Total operating profit	**3,403**	**871**		**4,630**

See also Note 11 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:

	1-3/2022	1-3/2021		2021
Delek Israel	2	6		25
Delek Israel Properties	1	-		28
EMED	(2)	(4)		(15)
Others	-	2		6
Total	**1**	**4**		**44**

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

	1-3/2022	1-3/2021		2021
Revenue	3,066	1,910		7,973
Cost of sales	1,473	981		3,664
Gross profit	**1,593**	**929**		**4,309**
General and administrative expenses	54	36		144
Group share in profits of operating associates, net	1	4		44
Other revenues (expenses), net	1,863	(26)		421
Operating profit	**3,403**	**871**		**4,630**
Finance income	68	76		138
Finance expenses	(405)	(452)		(1,933)
Profit before taxes on income	**3,066**	**495**		**2,835**
Income tax	431	122		1,247
Profit from continuing operations	**2,635**	**373**		**1,588**
Profit from discontinued operations, net	**17**	**74**		**84**
Net profit	**2,652**	**447**		**1,672**
Attributable to -				
Company shareholders	2,539	279		1,432
Non-controlling interests	113	168		240
	2,652	**447**		**1,672**

F) Movement in comprehensive income (NIS million):

	1-3/2022	1-3/2021		2021
Net profit	**2,652**	**447**		**1,672**
Other comprehensive income from continuing operations (net of tax effect):				
Profit from investment in equity instruments measured at fair value through other comprehensive income	-	72		86
Loss from cash flow hedges	(1,241)	(225)		(1,426)
Transfer to profit or loss for cash flow hedges	365	7		472
Adjustments from translation of foreign operations (*)	158	348		(349)
Total other comprehensive income (loss) from continuing operations	**(718)**	**202**		**(1,217)**
Total comprehensive income	**1,934**	**649**		**455**
Attributable to:				
Company shareholders	**1,766**	**330**		**351**
Non-controlling interests	**168**	**319**		**104**
	1,934	**649**		**455**

(*) 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 gained 2% against the NIS, as compared to a gain of 3% in the same period last year.

4. Financial Position

The Group's total assets as of March 31, 2022, amounted to NIS 35.5 billion, compared with NIS 31.4 billion as of December 31, 2021. The increase in total assets is mainly due to the consolidation for the first time of Marubeni's assets in the total amount of USD 1.2 billion (NIS 3.8 million), mainly in the non-current assets items, as explained below.

Principal changes in assets and liabilities as of March 31, 2022, compared with December 31, 2021:

Cash and cash equivalents and short-term investments

As at March 31, 2022, the Group had cash and short-term investment balances of NIS 1.1 billion, consisting mainly of balances of NIS 0.1 billion in the Company and staff companies, NIS 0.2 billion in Ithaca and NIS 0.7 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 March 31, 2022, amounted to NIS 3.3 billion, as compared to NIS 2.1 billion as of December 31, 2021. Most of the increase is due to an increase in trade receivables in the amount of NIS 0.8 billion, together with an increase in revenues.

As at March 31, 2022, the Group's non-current assets totaled NIS 30.8 billion and total non-current assets as at December 31, 2021 was NIS 27.3 billion, a NIS 3.5 billion increase. The increase in non-current assets is mainly due to consolidation for the first time of Marubeni's assets, which resulted in an increase in oil and gas assets in the amount of NIS 1.1 billion and an increase in deferred taxes in the amount of NIS 2.1 billion (for further information about the consolidated assets, see Note 3B to the consolidated interim financial statements).

Short- and long-term liabilities

Financial liabilities (to banks and others and to debenture-holders and holders of convertible debentures) on the consolidated balance sheet, as of March 31, 2022, amounted to NIS 14.1 billion, as compared to NIS 14.9 billion as of December 31, 2021. The decrease is due to the repayment of a reserve based lending (RBL) facility in the amount of NIS 0.6 billion by Ithaca and repayment of the Company's debentures in the amount of NIS 0.3 billion.

Contingent claims

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

Additional information

For additional information regarding 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 March 31, 2022:[1]

	NIS millions
Liabilities	
Debentures	3,920
Loan from a subsidiary for securitization of overriding royalties	266
Bank and other loans	265
Other liabilities	233
Total liabilities	**4,684**
Assets	
Cash and deposits	105
Restricted deposits	94
Deposit in the debentures' escrow account	30
Loans (*)	335
Other receivables	74
Treasury shares (**)	273
Investment in a financial asset	5
Total assets	**916**
Financial debt, net	**(3,768)**

(**) Composition of loans extended as of March 31, 2022:

Borrower	Loan amount (NIS millions)
Loans to Ithaca	103
Seller's loan - The Phoenix transaction	208
Others	24
Total	**335**

(**) As of March 31, 2022, and as of the financial statements' approval date, Delek Financial Investments (2012) Limited Partnership, a wholly-owned subsidiary partnership of the Delek Group, held 586,422 shares of NIS 1 par value in the Delek Group.

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

As at March 31, 2022, the Company (separate) has a working capital deficit of NIS 0.5 billion, mainly due to current maturities of debentures issued by the Company. The Group (consolidated) has a working capital deficit of NIS 1.5 billion.

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, 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 various scenarios, and after reviewing sensitivity analyses, determined, based on past experience, the Company's proven ability to raise funds in recent years and the value of the Company's assets, the said working capital deficit does not indicate a liquidity issue for the Company.

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):

	1-3/2022	1-3/2021	2021
Revenues from gas sales net of royalties	**684**	**778**	**3,231**
Operating profit (adjusted for impairment and losses on disposal of oil and gas assets (100%))	**448**	**499**	**2,063**
Company's share in loss on disposal of oil and gas assets and investment, post-tax	-	-	(40)
Impairment and depreciation of oil and gas assets (100%)	(36)	(7)	(410)
EBITDA	558	605	2,659
Finance income (expenses), net	62	131	(598)
Net profit attributable to Group shareholders	**141**	**166**	**362**
Gas sales from the Tamar Project, in BCM (*)(**)	**-**	**1.7**	**7.8**
Gas sales from the Leviathan Project, in BCM (*)	**2.7**	**2.7**	**10.7**
Total Gas sales in BCM (*)	**2.7**	**4.4**	**18.5**

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

(**) The figures for 2021 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:

2022. 1-3 - (BCM)				
	Israel	**Jordan**	**Egypt**	**Total**
Q1	0.9	0.7	1.1	2.7

2021. 1-3 - (BCM)				
	Israel	**Jordan**	**Egypt**	**Total**
Q1	1.2	0.7	0.8	2.7

2021 - (BCM)				
	Israel	**Jordan**	**Egypt**	**Total**
	4.5	2.7	3.4	10.7

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 net profit of NIS 141 million, as compared to a net profit of NIS 166 million in the same period last year. The decrease in profit in the reporting period compared with the corresponding period last year was mainly due to depreciation of the Ofek Hadash project in the amount of NIS 13 million and the non-inclusion of profit from the Tamar Project in the quarter results compared with the corresponding quarter last year following completion of the sale transaction in December 2021. It

should be noted that the decrease was partially offset by an increase in net revenue from the sale of natural gas from the Leviathan Reservoir and a decrease in finance expenses, net.

Revenues from gas and oil sales, net of royalties

In the reporting period, revenues from oil and gas sales, net of royalties, totaled NIS 684 million, compared with NIS 778 million in the same period last year. It should be noted that, in the corresponding period last year, revenues from the Tamar Project were included under revenues from the sale of gas, net of royalties, up to the completion date of the transaction in December 2021. In addition, in the reporting period, there was an increase in revenues from the Leviathan Project, mainly due to the increase in the price of gas supplied for export, which is partly linked to the price of a Brent barrel, and from the increase in the quantities of natural gas sold to Egypt from the Leviathan Reservoir, the average price of which is higher than their price in the local market.

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

In the reporting period, operating profit amounted to NIS 448 million, compared to NIS 499 million in the same period last year.

In the corresponding period last year, the operating profit also included operating profit from the Tamar Project up to the date of the sale of the rights as described above. In addition, in the reporting period, the Partnership depreciated the Ofek Hadash project by NIS 36 million; for further information see Note 4F to the consolidated interim financial statements.

Finance income (expenses), net

In the reporting period, net finance expenses totaled NIS 62 million, as compared to net finance expenses of NIS 131 million in the same period last year.

The decrease compared with the corresponding period last year was mainly due to the repayment of Tamar Bond debentures and Debentures (Series B1) in December 2021, revaluation of royalties and debt for the Karish and Tanin leases in the amount of NIS 58 million, compared with revaluation of NIS 35 million in the corresponding 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):

	1-3/2022	1-3/2021	2021
Net profit from NewMed Energy's financial statements	**272**	**401**	**1,317**
Indirect holdings (%)	54.7%	54.7%	54.7%
Group's share	**150**	**219**	**720**
Adjustment of the Group's share in respect of deferred taxes recorded the Partnership	-	-	266
Income tax	2	(33)	(50)
Revenues from overriding royalties	10	9	43
Results of direct holdings in Yam Tethys (4.44%)	(1)	-	(9)
Amortization of excess costs *)	(9)	(9)	(35)
Adjustments for the sale of Tamar**)	-	-	(524)
General and administrative expenses	(9)	(7)	(30)
Finance expenses, net	(2)	(6)	(19)
Other expenses	-	(7)	-
Contribution to net profit from oil and gas exploration and production operations	**141**	**166**	**362**

*) Current amortization of the surplus cost attributable to the Tamar and Leviathan projects.

**) 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 on oil and gas exploration and production in and around Israel, see Notes 3C and 4 to the consolidated interim financial statements.

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

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

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

Statement of Financial Position

(in USD millions)	March 31, 2022	December 31, 2021
Cash and cash equivalents	72	45
Other current assets	757	411
Investments in oil and gas exploration and production	3,064	2,785
Other assets, net (mainly deferred taxes)	1,219	580
Goodwill	767	767
Total assets	**5,879**	**4,588**
Short-term liability for derivatives	888	419
Current liabilities (trade and other payables)	607	579
Bank loans, RBL, and debentures	756	955
Loan from the Delek Group	34	32
Other long-term liabilities (mainly in respect of an asset retirement obligation)	2,093	1,612
Equity attributable to Ithaca's shareholders	**1,501**	**991**
Total liabilities and equity	**5,879**	**4,588**

It should be noted that in the reporting period, Ithaca completed a transaction to acquire Marubeni, which contributed to a significant increase in oil and gas assets, deferred taxes, and long-term liabilities (mainly due to an asset retirement obligation to dispose of assets and contingent considerations recognized in the transaction). For further information about the acquired assets and liabilities, see Note 3B(1) to the consolidated interim financial statements.

Income statement

(in USD millions)	1-3/2022	1-3/2021		2021
Revenues from oil and gas sales	745	345		1,470
Cost of sales (excluding depreciation and inventory movements)	(140)	(103)		(429)
Depreciation expenses	(124)	(105)		(404)
Change in oil and gas inventory	(130)	(15)		6
Gross profit	**351**	**122**		**643**
Gain from a bargain purchase	601	-		-
Reversal of impairment on gas and oil assets	-	-		277
Other expenses, net	(16)	(5)		(4)
Finance expenses, net	(47)	(46)		(240)
Profit before tax	**889**	**71**		**676**
Tax expenses	(104)	(28)		(276)
Net profit attributable to Ithaca's shareholders	**785**	**43**		**400**
Output in the reporting period (MBOE)	**6,345**	**5,850**		**21,395**
Average daily output (KBoed)	**71**	**65**		**56**

EBITDAX and adjustment to net profit

(USD millions)	1-3/2022	1-3/2021		2021
Revenues, net (*)	**601**	**321**		**1,418**
Operating expenses	(120)	(94)		(371)
General, administrative, currency, and other expenses	(7)	(6)		(11)
EBITDAX	**474**	**221**		**1,036**
Non-recurring costs, in cash	(6)	-		-
Depreciation and amortization	(124)	(105)		(404)
Gain from a bargain purchase	601	-		-
Reversal of impairment on gas and oil assets	-	-		277
Other non-cash income (expenses)	(9)	8		10
Net finance expenses, excluding results of hedges	(47)	(53)		(243)
Tax expenses	(104)	(28)		(276)
Net profit attributable to Ithaca's shareholders	**785**	**43**		**400**

*) 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 745 million, as compared to revenues of USD 345 million in the same period last year; the revenue composition was as follows:

Sales revenues (USD millions)	1-3/2022	1-3/2021	2021
Oil	498	222	856
Natural gas	406	86	725
NGL (natural gas liquids)	15	14	52
Other income	11	9	33
Gains (losses) on hedging transactions	(185)	14	(196)
Total	**745**	**345**	**1,470**

Output in the reporting period totaled 6.3 mmbbl (71 mbbl/day, on average), as compared to 5.9 mmbbl (65 mbbl/day, on average) in the same period last year. In the first quarter of 2021, the effect of the increase in the production rate in the Captain field is evident (an additional 4 thousand barrels per day), among other things, due to the works carried out to increase production from the field. The assets of Marubeni, the acquisition of which was completed in February 2022, also contributed to an increase in daily output of 5 thousand barrels. In addition, in the first quarter of 2022, production from the Jade South reservoir began, which contributed to an increase in daily output of 3 thousand barrels.

Gas and oil prices were up sharply in the reporting period. Average selling prices for oil went up to USD 100 per barrel in the reporting period, from USD 60 per barrel in the same period last year; in the corresponding period last year, gas selling prices went up to 228 pennies/therm, from 50 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 period by USD 185 million, as compared to an increase of USD 14 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 140 million, as compared to USD 103 million in the same period last year. The increase in the cost of revenue is partially due to the acquisition of Marubeni assets as aforesaid, as well as the increase in fuel prices. This is also reflected in the average cost per barrel, which rose to USD 19 per barrel, compared with USD 16 per barrel in the corresponding period last year.

Depreciation and amortization in the reporting period amounted to USD 124 million, compared with USD 105 million in the corresponding period last year, and depreciation per barrel increased in the reporting period to USD 23 per barrel, compared with USD 16 per barrel in the corresponding period last year. The increase in depreciation per barrel is due to the reversal of impairment of assets in December 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 March 31, 2022, Ithaca had open hedging transactions on oil prices amounting to 13.5 mmbbl, of which swap and put transactions amounted to 6 mmbbl at an average hedged price of 59 USD/barrel, and the remainder - in collar transactions at a minimum hedged price of 67 USD per barrel and a maximum hedged price of 88 USD/barrel. In addition, as of March 31, 2022, Ithaca had open hedging transactions on gas prices amounting to 309 MMBtu, of which swap and put transactions amounted to 217 MMBtu at an average hedged price of 109 pennies/therm, and the remainder - in collar transactions at a minimum hedged price of 98 pennies/therm and a maximum hedged price of 160 USD/barrel. The value of these hedges as of March 31, 2022 reflects a liability of USD 899 million (NIS 2,855 million). It should be noted that,

as of March 31, 2022, Ithaca hedged over 60% of its expected output until the end of 2022 as well as approximately 30% of the expected output in 2023.

Gain from a bargain purchase

As aforesaid, in the reporting period, Ithaca completed the acquisition of the entire share capital of Marubeni. Under the acquisition, in the reporting period, the Group recognized a gain from a bargain purchase in the amount of USD 601 million (NIS 1.9 billion), mainly due to recognition of a deferred tax asset for Marubeni's losses for tax purposes and due to an increase in the price of oil and gas between the date the transaction terms were established and the completion date.

It should be noted that recognition of the gain is based on a provisional measurement of the value of the assets and liabilities of the acquired company, based on the draft valuation of an external appraiser. The value of the consideration for the acquisition and the value of the acquired assets and liabilities are adjustable in a period of 12 months from the acquisition date. For further information, see Note 3B(1) to the consolidated interim financial statements and Appendix D to the Board of Directors' Report.

Finance expenses, net

In the reporting period, finance expenses totaled USD 47 million, as compared to USD 46 million in the same period last year.

For more information on oil and gas exploration and production operations in the North Sea, see Note 3B to the consolidated interim financial statements.

C) Additional operations

Delek Israel and Delek Properties

In the reporting period, the contribution of Delek Israel and Delek Properties to the net profit attributable to the Company's shareholders amounted to NIS 3 million. In addition, subsequent to the balance sheet date, Delek Israel announced a dividend of NIS 50 million, with the Group's share in the dividend amounting to NIS 12.5 million.

B. Market Risk Exposure and Management

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 *)
Mar 31, 2022	3.176	4.1683	103.69
Mar 31, 2021	3.334	4.5869	100.19
Dec. 31, 2021	3.11	4.203	102.49
Rate of change during the period	**%**	**%**	**%**
Q1/2022	2.1	(0.8)	1.2
Q1/2021	3.7	4.46	0.11
2021	(3.27)	(4.30)	2.40

*) Base index - 2014 average.

C. Disclosure relating to the Corporation's financial reporting

1. Critical accounting estimates

For information about the accounting estimate for the acquisition of a subsidiary and the attribution of the acquisition cost to its assets and liabilities, see Note 2B to the consolidated interim financial statements. Other than the aforesaid, in the reporting period, there were no changes in critical accounting estimates.

2. Events after the balance sheet date

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

D. Dedicated disclosure for debenture holders

Information on debentures issued by the Company as of March 31, 2022:

Series	Issue date (including expansions)	Par value Original	Par value balance as of March 31, 2022	Nominal interest rate	Linkage	Carrying amount as at March 31, 2022	Interest payable accrued in the financial statements as at March 31, 2022	Repayment dates (principal/ interest)	TASE price as at March 31, 2022	Trustee
B31	2/2015 6/2015 10/2015 2/2017	3,276	1,375	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	1,375	8	Interest payments on August 20 and February 20 and principal payments on February 20 in each of the years 2020-2025	1,423	Hermetic Trust (1975) Ltd. 113 Hayarkon St. Tel Aviv. Tel: +972-3-5274867, Dan Avnon
B34	2/2018	1,374	1,294	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	1,294	18	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	1,320	Hermetic Trust (1975) Ltd. 113 Hayarkon St. Tel Aviv. Tel: +972-3-5274867, Dan Avnon
B35	6/2021 7/2021 11/2021	837	837	7.2%	Non-linked	837	15	Interest payments on June 30 and December 31 and principal payments on December 31 in each of the years 2023-2027	917	Mishmeret - Trusts Services Company Ltd., 48 Menahem Begin St., Tel Aviv, Tel: 03-6374335/4, Atty. Rami Katzav, CPA.
B36	10/2021 12/2021	429	429	6.2%	Non-linked	429	11	Interest payments on April 30 and October 31 (first payment - April 30, 2022) and principal payments on April 30 in each of the years 2024-2028	444	Resnick Paz Nevo Trustee Company Ltd., 14 Yad Harutzim St., Tel Aviv. Tel: 03-6389200, Michal Avtalion-Rishoni, Adv.

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 March 31, 2022, the Company's shareholders' equity stands at NIS 4,369 billion.

   - Until the publication date of the first quarter financial statements in 2021, the grounds for immediate repayment specified in the deeds of trust concerning the equity to 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 at March 31, 2022, the ratio is 46%.

   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.

   - 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 9, 2022, the Company made a full early repayment of the entire principal, interest, and linkage differences on Debentures (Series B18 and Series B19). 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 7, 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.

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. 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 March 31, 2022, 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 at March 31, 2022, the capital attributable to the Company's shareholders amounted to NIS 4,369 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 March 31, 2022, this ratio amounts to 46%.
- 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-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 March 31, 2022, 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 at March 31, 2022, the capital attributable to the Company's shareholders amounted to NIS 4,369 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 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 March 31, 2022, this ratio amounts to 46%.

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 pledged NewMed Energy's 70,323,488 participation units.

As at the publication date of the report, the Company is in compliance with the financial covenants.

E. Additional information

1. Company employees

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

2. General

On March 31, 2022, Mr. Gabriel Last completed his term as chairperson of the Company's board of directors.

On April 1, 2022, Ehud Erez was appointed acting chairperson of the Company's board of directors.

Sincerely,

Ehud Erez	**Idan Wallace**
Chairman of the Board	Chief Executive Officer

Signed on: May 24, 2022

Appendix A to the Board of Directors' Report

Breakdown of balance of principal and interest payments on the Company and the staff companies' debentures and bank and other loans as of March 31, 2022 (in NIS millions):

		1/4/2022-31/12/2022	2023	2024	2025	2026	2027 onward	Total
Debentures	**Principal**	-	770	834	834	379	1,103	3,920
	Interest	194	218	172	125	89	86	884
Loans from banks and others (*)	**Principal**	-	-	105	-	-	-	105
	Interest	8	8	1	-	-	-	17
Total		202	996	1,112	959	468	1,189	4,926

(*) Excluding a convertible liability.

Appendix B to the Report of the Board of Directors

Following on Note 12K 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:

Condensed Statement of Financial Position (Dollars in thousand)

	March 31 2022	March 31 2021	December 31 2021
	Unaudited		Audited
Current assets			
Cash and cash equivalents	374	2	205
Short-term investments	5,969	3,099	3,907
Royalties and other receivables	1,935	1,433	1,527
Total current assets	8,278	4,534	5,639
Non-current assets			
Long-term investments	14,130	19,621	14,110
Loan to controlling shareholder	83,361	77,797	81,752
Assets in respect of ORRI	190,770	196,257	192,147
Deferred Taxes	1,463	1,086	1,333
Total non-current assets	289,724	294,761	289,342
	298,002	299,295	294,981
Current liabilities			
Other payables	4,631	4,443	1,615
Total current liabilities	4,631	4,443	1,615
Non-current liabilities			
Debentures	173,266	169,810	172,392
Total non-current assets	173,266	169,810	172,392
Equity			
Share capital	295	295	295
Share premium	127,275	127,275	127,275
Retained earnings	(7,465)	(2,528)	(6,596)
Total equity	120,105	125,042	120,974
	298,002	299,295	294,981

Condensed Statements of Comprehensive Income (in USD thousand)

	Three months ended March 31		Year ended December 31
	2022	2021	2021
	Unaudited		Audited
Revenue from overriding royalties	3,180	2,838	11,361
General and administrative expenses	204	200	910
Depletion	1,378	1,448	5,557
Operating profit	1,598	1,190	4,894
finance expenses	(4,251)	(4,207)	(16,855)
finance income	1,626	1,512	6,144
Loss before income tax	(1,027)	(1,505)	(5,817)
Income tax	158	229	473
Loss and total comprehensive loss	(869)	(1,276)	(5,344)

Condensed Statements of Changes in Equity (Dollars in thousand)

	Share capital	Share premium	Retained earnings	Total
	Unaudited			
Balance as at January 1, 2022	295	127,275	(6,596)	120,974
Total comprehensive income (loss)	-	-	(869)	(869)
Balance as at March 31, 2022	295	127,275	(7,465)	120,105

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

	Share capital	Share premium	Retained earnings	Total
	Audited			
Balance as at January 1, 2021	295	127,275	(1,252)	126,318
Total comprehensive income (loss)	-	-	(5,344)	(5,344)
Balance as at December 31, 2021	295	127,275	(6,596)	120,974

Condensed Statements of Cash Flows (Dollars in thousand)

	Three months ended March 31		For the year ended December 31
	2022	2021	2021
	Unaudited		Audited
Cash Flows - Current Operations:			
Loss for the year	(869)	(1,276)	(5,344)
Adjustments for:			
Depletion and depreciation	2,252	2,256	8,861
Deferred Taxes	(128)	(198)	(445)
Increase in Long-term investments	(20)	(8)	(37)
Changes in assets and liabilities items:			
Increase in trade and other receivables	(478)	(105)	(199)
Increase in loan to controlling shareholder	(1,609)	(1,504)	(6,089)
Increase in trade and other payables	3,083	3,566	738
Net cash used for current operations	2,231	2,731	(2,515)
Cash Flows - Investment Activity:			
Repayment of loans to controlling shareholders	-	41	671
Long-term deposit in bank deposits	-	-	5,540
Short-term deposit in bank deposits	(2,062)	(2,773)	(3,581)
Net cash deriving from (used for) investment activity	(2,062)	(2,732)	2,630
Cash Flows - Financing Activity:			
Bond offering (net of issue costs)	-	-	87
Net cash arising from financing activity	-	-	87
Increase in cash and cash equivalents	169	(1)	202
Cash and cash equivalents balance at the beginning of the year	205	3	3
Cash and cash equivalents balance at the end of the year	374	2	205
Annex A - Additional Information on Cash Flows:			
Interest paid	-	-	13,489

Appendix C to the Report of the Board of Directors

Following are 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 March 31		As at December 31
	2022	2021	2021
	Unaudited		Audited
	NIS millions		
Current assets			
Cash and cash equivalents	63	71	57
Trade receivables	1,189	859	1,029
Other receivables	80	100	54
Related party	14	-	-
Taxes receivable	12	12	5
Inventory	119	112	147
	1,477	1,154	1,292
Non-current assets			
Long-term loans, deposits and other debit balances	35	39	34
Right-of-use assets	1,325	914	1,274
Investments in and loans to associates	4	86	4
Investment property	22	33	22
Property, plant and equipment, net	425	649	417
Goodwill	15	16	15
Other intangible assets, net	6	7	6
Deferred taxes	35	41	33
	1,867	1,785	1,805
	3,344	2,939	3,097

	As at March 31		As at December 31
	2022	2021	2021
	Unaudited		Audited
	NIS millions		
Current liabilities			
Bank borrowings	225	511	226
Trade payables	555	352	423
Taxes payable	2	3	6
Current maturities for lease	163	120	151
Other payables	455	394	383
	1,400	1,380	1,189
Non-current liabilities			
Lease liability	1,202	750	1,150
Loans from banks	161	70	178
Decrease in liabilities for employee benefits, net	7	8	7
Provisions and other liabilities	15	18	15
Deferred taxes	2	4	2
	1,387	850	1,352
Equity attributable to the Company's shareholders			
Share capital	216	216	216
Share premium	216	366	216
Retained earnings	89	85	83
Other capital reserves	35	41	40
	556	708	555
Non-controlling interests	1	1	1
Total equity	557	709	556
	3,344	2,939	3,097

Delek The Israel Fuel Corporation Ltd.

Consolidated Statements of Income

	For the 3 months ended March 31		For the year ended December 31
	2022	2021	2021
	Unaudited		Audited
	NIS millions		
Sales revenues	1,186	722	3,821
Cost of sales	1,006	563	3,084
Gross profit	180	159	737
Selling and operating expenses for gas stations	129	106	488
General and administrative expenses	17	20	70
Company's share in the earnings of associates, net	-	1	1
Other expenses (other income), net	-	-	1
Operating profit	34	34	179
Finance income	-	1	6
Finance expenses	25	14	60
Profit before taxes on income	9	21	125
Income tax	3	5	31
Net profit	6	16	94
Attributable to:			
Company shareholders	6	16	94
Non-controlling interests	-	-	-
	6	16	94

Delek Israel Properties (D.P.) Ltd.

Consolidated Statements of Financial Position

	As at March 31, 2022	As at December 31, 2021
	NIS thousands	NIS thousands
	Unaudited	Audited
Assets		
Current assets:		
Cash	12,851	17,983
Pledged deposit	-	253
Short-term financial assets	74	74
Trade receivables	747	771
Other receivables	1,943	9,891
Related parties	6,524	9,603
Total current assets	**22,139**	**38,575**
Non-current assets:		
Investment property	1,031,989	948,645
Property, plant and equipment	1,034	565
Land inventory	140,509	80,933
Equity-accounted investments	130,030	129,454
Other long-term receivables	1,452	1,266
Total non-current assets	**1,305,014**	**1,160,863**
Total assets	**1,327,153**	**1,199,438**
Liabilities and equity		
Current liabilities:		
Bank borrowings	438,157	438,466
Accounts payable	173	278
Other payables	6,451	18,422
Liability for levies and fees	7,100	7,100
Related parties	15,233	7,241
Total current liabilities	**467,114**	**471,507**
Non-current liabilities:		
Long-term credit from banks	193,243	59,536
Deferred credit for transaction with a company under common control	41,984	44,165
Other long-term payables	382	573
Deferred taxes	24,506	26,481
Total non-current liabilities	**260,115**	**130,755**
Total liabilities	**727,229**	**602,262**
Equity:		
Share capital	11,349	11,349
Capital reserve for transactions with a controlling shareholder	470,920	470,920
Accumulated earnings	117,655	114,907
Total equity	**599,924**	**597,176**
Total liabilities and equity	**1,327,153**	**1,199,438**

Delek Israel Properties (D.P.) Ltd.

Consolidated Statements of Income

	For the three months ended March 31	For the period from April 1, 2021 to December 31
	2022	2021
	NIS thousands	
	Unaudited	
Rental income	12,240	32,841
Assets operating expenses	(188)	(624)
Gross profit	12,052	32,217
Appreciation (impairment) of investment property	(5,996)	126,945
General and administrative expenses	(2,726)	(7,100)
Other expenses	(27)	(1,168)
Group's share in profits of equity-accounted companies	1,017	17,147
Operating profit	4,320	168,041
Finance expenses	(2,538)	(11,397)
Finance income	555	1,335
Finance expenses, net	(1,983)	(10,062)
Profit before taxes on income	2,337	157,979
Tax benefit (taxes on income)	411	(30,982)
Net and comprehensive income	2,748	126,997

Appendix D to the Report of the Board of Directors

Regulation 8B: Valuation

Draft valuation for attribution of acquisition cost to Marubeni's assets and liabilities (provisional valuation)

Authentication of the valuation subject:	Attribution of acquisition cost to Marubeni's assets and liabilities (provisional valuation)
Preparation date:	February 4, 2022
The value of the valuation item shortly before the valuation date, had generally accepted accounting principles, including depreciation and amortization, not required revaluation in accordance with the valuation:	N/A
The value of the valuation item as determined in the valuation:	For information about the value attributed to the assets and liabilities of Marubeni, see Note 3B to the consolidated interim financial statements.
Authentication and details of the appraiser:	The valuation was performed by Kroll, which is a global consulting company with more than 3,500 employees in 28 countries. The company, which was founded in 1932, provides consulting services to a considerable number of customers, including about 50% of the S&P 500 companies. The company provides a range of consulting services, including valuations, tax services, and M&A advisory services. The company's valuation team includes more than 1,200 professionals and experts in financial consulting, including PPA, assessments of impairment of goodwill and intangible assets, and valuations. Under the agreement with the appraiser, other than in cases of misconduct or fraud on the part of the appraiser, liability is limited to the amount of the fee. The Company also undertook to indemnify the appraiser for any damage arising from a third party claim, other than in cases where a competent court rules that the claim was directly due to gross negligence, intentional misconduct, or fraud on the part of the appraiser.
The appraiser used the following valuation model:	Discounted cash flow
Assumptions applied by the appraiser in the valuation, in accordance with the valuation model:	The main assumptions underlying the valuation include the forecast of income and expenses, taking into account, among other things, production quantities and rate, the forecast for oil and gas prices, the inflation rate, and retirement costs. The appraiser used the discounted cash flow method in the valuation, based on a discount rate after tax of 9.5% for assets and 2.5% for liabilities and future Brent oil prices of USD 76 per barrel in 2022, USD 69 per barrel in 2023, USD 71 per barrel in 2024, and up to USD 74 per barrel in 2026, and future gas prices of 164 pence per therm in 2022, 99 pennies/therm in 2023, 68 pence per therm unit in 2024, and up to 56 pence per therm in 2026.

Chapter C

Financial Statements

Delek Group Ltd.

Consolidated Interim Financial Statements as at March 31, 2022

Unaudited

Contents

- - - - - - - - - - - - - - - - -

Consolidated Balance Sheets

	As at March 31		As at December 31
	2022	2021	2021
	Unaudited		Audited
	NIS millions		
Current assets			
Cash and cash equivalents	595	561	1,147
Short-term investments	546	845	596
Trade receivables	1,974	878	1,170
Other receivables	762	171	327
Current tax assets	15	31	25
Financial derivatives	87	29	15
Inventory	453	423	552
	4,432	2,938	3,832
Assets held for sale	224	4,081	224
	4,656	7,019	4,056
Non-current assets			
Long-term loans, deposits, and receivables	2,930	3,384	3,110
Other financial assets	-	9	-
Investments in associates	474	581	472
Investment property	327	196	327
Right-of-use assets	34	18	12
Financial derivatives	2	10	-
Investments in exploration and production of oil and gas assets, net	20,845	20,054	19,660
Property, plant and equipment, net	129	80	130
Goodwill	2,764	2,903	2,707
Deferred taxes	3,290	1,383	927
	30,795	28,618	27,345
	35,451	35,637	31,401

The accompanying notes are an integral part of the Consolidated Interim Financial Statements.

Consolidated Balance Sheets

	As at March 31		As at December 31
	2022	2021	2021
	Unaudited		Audited
	NIS millions		
Current liabilities			
Borrowings and current maturities from banks and others	-	26	-
Debentures including current maturities of debentures	436	8,411	350
Trade payables	1,094	481	702
Other payables	1,540	1,409	1,824
Current maturities of lease liabilities	37	15	10
Current tax liabilities	195	110	652
Financial derivatives	2,821	409	1,305
	6,123	10,861	4,843
Liabilities attributable to assets held for sale	74	141	74
	6,197	11,002	4,917
Non-current liabilities			
Loans from banks and others	540	1,938	1,151
Debentures	12,997	9,600	13,199
Convertible liability	158	165	154
Financial derivatives	143	123	124
Provisions and other liabilities	6,893	5,443	5,343
Deferred taxes	1,401	1,450	1,325
	22,132	18,719	21,296
Equity			
Share capital	19	18	19
Share premium	2,534	2,361	2,534
Proceeds for options and conversion option	18	35	18
Retained earnings	5,588	1,868	3,049
Adjustments from translation of financial statements of foreign operations	(1,021)	(723)	(1,125)
Capital reserve from transactions with non-controlling interests	(685)	(678)	(684)
Other reserves	(1,770)	(135)	(893)
Treasury shares	(314)	(314)	(314)
Total equity attributable to shareholders of the Company	4,369	2,432	2,604
Non-controlling interests	2,753	3,484	2,584
Total equity	7,122	5,916	5,188
	35,451	35,637	31,401

May 24, 2022			
Approval date of the financial statements	Ehud Erez Chairman of the Board of Directors	Idan Wallace Chief Executive Officer	Tamir Polikar Executive VP and CFO

The accompanying notes are an integral part of the Consolidated Interim Financial Statements.

Consolidated Statements of Income

	For the 3 months ended March 31		For the year ended December 31
	2022	2021	2021
	Unaudited		Audited
	NIS millions (Other than net earnings per share)		
Revenue	3,066	1,910	7,973
Cost of revenues	1,473	981	3,664
Gross profit	1,593	929	4,309
General and administrative expenses	54	36	144
Group share in profits of operating associates, net	1	4	44
Other income (expenses), net	1,863	(26)	421
Operating profit	3,403	871	4,630
Finance income	68	76	138
Finance expenses	(405)	(452)	(1,933)
Profit before taxes on income	3,066	495	2,835
Income tax	431	122	1,247
Profit from continuing operations	2,635	373	1,588
Profit from discontinued operations, net	17	74	84
Net profit	2,652	447	1,672
Attributable to:			
Shareholders of the Company	2,539	279	1,432
Non-controlling interests	113	168	240
	2,652	447	1,672
Net earnings per share attributable to shareholders of the Company (in NIS)			
Basic earnings from continuing operations	142.5	12.2	78.5
Basic earnings from discontinued operations	1.0	4.4	4.9
Basic earnings	143.5	16.6	83.4
Basic earnings from continuing operations	136.4	11.5	75.1
Basic earnings from discontinued operations	0.9	4.2	4.7
Diluted earnings	137.3	15.7	79.8

The accompanying notes are an integral part of the Consolidated Interim Financial Statements.

Consolidated Statements of Comprehensive Income

	For the 3 months ended March 31		For the year ended December 31
	2022	2021	2021
	Unaudited		Audited
	NIS millions		
Net profit	2,652	447	1,672
Other comprehensive income (loss) (net of tax effect):			
Amounts not reclassified to profit or loss:			
Profit from investment in equity instruments measured at fair value through other comprehensive income	-	72	86
Total	-	72	86
Amounts classified or reclassified to profit or loss under specific conditions:			
Loss from cash flow hedges	(1,241)	(225)	(1,426)
Transfer to profit or loss for cash flow hedges	365	7	472
Adjustments from translation of financial statements of foreign operations	158	348	(349)
Total	(718)	130	(1,303)
Total other comprehensive income (loss)	(718)	202	(1,217)
Total comprehensive income	1,934	649	455
Attributable to:			
Shareholders of the Company	1,766	330	351
Non-controlling interests	168	319	104
	1,934	649	455

The accompanying notes are an integral part of the Consolidated Interim Financial Statements.

Consolidated Statements of Changes in Equity

	Attributable to shareholders of the Company									n	
	Share capital	Share premium	Proceeds for conversion option	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 equity
						Unaudited					
						NIS millions					
Balance as at January 1, 2022 (audited)	19	2,534	18	3,049	(1,125)	(684)	(893)	(314)	2,604	2,584	5,188
Net profit	-	-	-	2,539	-	-	-	-	2,539	113	2,652
Other comprehensive income (loss)	-	-	-	-	104	-	(877)	-	(773)	55	(718)
Total comprehensive income (loss)	-	-	-	2,539	104	-	(877)	-	1,766	168 **)	1,934
Transactions with non-controlling interests	-	-	-	-	-	(1)	-	-	(1)	1	-
Balance as at March 31, 2022	19	2,534	18	5,588	(1,021)	(685)	(1,770)	(314)	4,369	2,753	7,122

*) Mainly capital reserve for cash flow hedges.

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

Net profit attributable to non-controlling interests	113
Adjustments from translation of financial statements of foreign operations	55
Total comprehensive income attributable to non-controlling interests	168

The accompanying notes are an integral part of the Consolidated Interim Financial Statements.

Consolidated Statements of Changes in Equity

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

*) Mainly capital reserve for cash flow hedges.

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

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

The accompanying notes are an integral part of the Consolidated Interim Financial Statements.

Consolidated Statements of Changes in Equity

	Attributable to shareholders of the Company										
	Share capital	Share premium	Proceeds for conversion option	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 equity
	Audited										
	NIS millions										
Balance as at January 1, 2021	18	2,341	38	1,589	(933)	(677)	24	(314)	2,086	3,164	5,250
Net profit				1,432	-	-	-	-	1,432	240	1,672
Other comprehensive 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 reserve due to disposal of an asset	-			28			(28)	-	-	-	-
Dividend to non-controlling interests (including payments made on account of tax, which were provided for 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

The accompanying notes are an integral part of the Consolidated Interim Financial Statements.

Consolidated Statements of Cash Flows

	For the 3 months ended March 31		For the year ended December 31
	2022	2021	2021
	Unaudited		Audited
	NIS millions		
Cash flows from operating activities			
Net profit	2,652	447	1,672
Adjustments to reconcile cash flows from operating activities (a)	(1,422)	779	1,932
Net cash from operating activities	1,230	1,226	3,604
Cash flows from investing activities			
Investments in property, plant and equipment and investment property	(2)	-	(3)
Proceeds from sale of property, plant and equipment and investment property	-	-	160
Tax paid in connection with the sale of oil and gas assets	(262)	-	157
Proceeds from disposal of financial assets, net	-	23	123
Short-term investments, net	(2)	(162)	67
Disposal of (investment in) long-term bank deposits, net	1	(5)	69
Investments in oil and gas exploration and assets	(374)	(286)	(1,104)
Cash received from disposal of investments in previously consolidated subsidiaries (b)	34	-	3,014
Cash from the acquisition of control in a consolidated company (C)	188	-	-
Proceeds from disposal of an investment in investees	-	75	113
Repayment of loans provided to others, net	-	79	121
Net cash from (used for) investing activities	(417)	(276)	2,717

The accompanying notes are an integral part of the Consolidated Interim Financial Statements.

Consolidated Statements of Cash Flows

	For the 3 months ended March 31		For the year ended December 31
	2022	2021	2021
	Unaudited		Audited
	NIS millions		
Cash flows from financing activities			
Receipt of long-term loans	-	104	2,099
Repayment of long-term loans	(639)	(603)	(3,394)
Dividend and tax advances paid to holders of non-controlling interests	(356)	(57)	(416)
Issue of shares and warrants (net of issuance costs)	-	17	136
Exercise of options for shares	-	-	38
Advance payments on account of share issue	-	7	-
Repayment of lease liabilities	-	-	(13)
Payment of contingent consideration	(37)	-	-
Issue of debentures and convertible debentures into shares (less issuance expenses)	-	-	3,286
Repayment of debentures	(351)	(273)	(7,264)
Net cash used for financing activities	(1,383)	(805)	(5,528)
Translation differences on cash balances of foreign operations	18	14	(48)
Increase (decrease) in cash and cash equivalents	(552)	159	745
Cash and cash equivalents at the beginning of the period	1,147	402	402
Cash and cash equivalents at the end of the period	595	561	1,147

The accompanying notes are an integral part of the Consolidated Interim Financial Statements.

Consolidated Statements of Cash Flows

	For the 3 months ended March 31		For the year ended December 31
	2022	2021	2021
	Unaudited		Audited
	NIS millions		
(A) Adjustments for presentation of statement of cash flows from operating activities			
Adjustments to profit or loss line items:			
Depreciation, depletion, amortization, and impairment of assets	566	454	797
Deferred taxes, net	431	95	896
Increase in loans granted, net	(19)	(70)	(86)
Loss (profit) from the sale of property, plant and equipment, real estate and investments, net	-	(7)	(10)
Group's share of results of associates, net (1)	(2)	(4)	(6)
Loss from the sale of oil and gas assets	-	-	517
Gain from a bargain purchase	(1,921)	-	-
Change in fair value of financial assets and financial derivatives, net	(126)	(146)	(374)
Appreciation (impairment) of long-term liabilities, net	4	22	(18)
Change in value of investment property, net	2	3	(108)
Changes in operating assets and liabilities:			
Decrease (increase) in trade receivables	(769)	21	(419)
Decrease in other receivables	(70)	72	(63)
Decrease (increase) in inventory	112	(66)	(232)
Increase in other assets, net	(13)	(6)	(22)
Increase (decrease) in trade payables	69	112	393
Increase (decrease) in other accounts payable	314	299	667
	(1,422)	779	1,932
Net of dividends received	-	-	38

The accompanying notes are an integral part of the Consolidated Interim Financial Statements.

Consolidated Statements of Cash Flows

		For the 3 months ended March 31		For the year ended December 31
		2022	2021	2021
		Unaudited		Audited
		NIS millions		
(B)	Cash added (deducted) due to disposal of investments in previously consolidated companies			
	Working capital (excluding cash and cash equivalents), net	34	-	13
	Investments in exploration and production of oil and gas assets	-	-	3,597
	Long-term liabilities	-	-	(184)
	Long-term assets	-	-	105
	Investment disposal losses	-	-	(517)
		34	-	3,014
(C)	Cash from the acquisition of control in a consolidated company			
	Working capital (excluding cash and cash equivalents), net	(96)	-	-
	Investments in oil and gas exploration and production	(1,065)	-	-
	Deferred taxes	(2,104)	-	-
	Asset retirement liability	809	-	-
	Deferred and contingent consideration	723	-	-
	Gain from a bargain purchase	1,921	-	-
		188	-	-
(D)	Significant non-cash activities			
	Investment in oil and gas assets against liability	217	53	264
	Dividend to non-controlling interests	-	-	142
	Consideration not yet received from sale	-	-	33

The accompanying notes are an integral part of the Consolidated Interim Financial Statements.

Consolidated Statements of Cash Flows

	For the 3 months ended March 31		For the year ended December 31
	2022	2021	2021
	Unaudited		Audited
	NIS millions		
(E) Additional information on cash flows			
Cash received during the period for:			
Interest	438	186	1,442
Taxes	45	3	145
Cash received by the Company during the period for:			
Interest	4	-	13
Dividends	-	-	38
Taxes	-	6	6

The accompanying notes are an integral part of the Consolidated Interim 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).
These financial statements have been prepared in condensed format as at March 31, 2022 and for the three months then ended (hereinafter - the "Consolidated Interim Financial Statements"). The financial statements should be read in the context of the Company's annual financial statements as at December 31, 2021 for the year then ended, and their accompanying notes (hereinafter - the "Annual Financial Statements").

B. Significant global events that have, or may have, a material effect on the Company's business

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, 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 investee companies and partnerships or the amount of the dividends.

In this context, it should be noted that at the end of February 2022, war broke out between Russia and Ukraine and some countries have imposed economic sanctions on Russia. The sanctions include restrictions on trade with Russia and senior Russian officials, suspension of the Nord Stream 2 project, which is intended to double the quantity of gas exported from Russia to Germany, termination of some of the collaborations of international companies with entities in Russia, including significant natural gas and oil production companies, and more. These sanctions increased the demand in the energy market and resulted in a hike in oil and gas prices in the first quarter of 2022, such that on March 31, 2022, the Brent oil price was USD 105 per barrel and the gas price was 304 pennies/therm (compared with USD 78 per barrel and 155 penny per thermal unit, respectively, as at December 31, 2021). Shortly before the approval date of the financial statements, the Brent oil price was USD 113 per barrel and the gas price was 138 pennies/therm unit.

However, it should be noted that as at the approval date of the financial statements, there is uncertainty about the effect of the Russia-Ukraine war on future oil and gas prices and on the global economy in general. Additionally, there is still uncertainty about the possibility of a renewed breakout of Covid-19 and its effect on the global economy.

It is further noted that as at March 31, 2022, the Company (separate) has a working capital deficit of NIS 0.5 billion, mainly due to current maturities of debentures issued by the Company. The Group (consolidated) has a working capital deficit of NIS 1.5 billion, mainly due to the fact that under the current liabilities in a subsidiary of the company (Ithaca), a liability is included for financial derivatives. The Company's management believes, based on its cash flow forecast and based on the sources and alternatives available to it, that the Company has sufficient resources to allow it to meet its obligations and comply with its financial covenants in the foreseeable future.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

A. Preparation format of the Consolidated Interim Financial Statements

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

B. Key factors underlying the uncertainty in the estimate

Further to Note 2B to the Annual Financial Statements, regarding critical estimates, it should be noted that in the reporting period, a business combination was completed by a subsidiary of the Company, under which a gain from a bargain purchase was recognized as set out in Note 3B(1). The initial assessment of the attribution of the net consideration for the acquisition of the assets acquired was carried out by an external appraiser. As at the approval date of these financial statements, the valuation is provisional. Accordingly, the Group recognized profit in the amount of NIS 1,921 million from the bargain purchase. As part of the business combination, deferred tax assets were recognized for the carryforward losses of the Acquired Company in the amount of NIS 2,103 million (which were not recognized in the financial statements of the Acquired Company prior to the business combination date). The tax assets are based on the subsidiary’s forecasts and estimates for the expected revenues for tax purposes of some of its assets, for up to seven years, in which the carryforward losses will be utilized. To implement the subsidiary's plans for utilization of the carryforward losses in the Acquired Company, the subsidiary is required to implement the taxation structure plan, including obtaining the relevant approvals, which the subsidiary believes are mainly technical. A material change in the estimates and assumptions underlying these estimates may result in a change of the value of assets and liabilities in the financial statements.

C. First-time application of amendments to existing accounting standards

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 has been applied for annual reporting periods beginning on January 1, 2022.
The Amendment applies to contracts for which the obligations have not yet been fulfilled as at January 1, 2022.
The Amendment did not have an effect on the financial statements.

2. Improvements to IFRSs in 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 percent’ 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, for the debt instruments amended in the reporting period.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

C. First-time application of amendments to existing accounting standards (cont.)

3. Amendment to IFRS 3, Business Combinations (Reference to the Conceptual Framework)

Under the amendment, Reference to the 2018 Conceptual Framework was revised and it replaced the 1989 Conceptual Framework. The Amendment requires the acquirer to apply IAS 37 to determine whether, as at the acquisition date, there is a present obligation arising from past events, and also, for levies within the scope of IFRIC 21, to apply the provisions of IFRIC 21 to determine whether the event requiring the payment of a levy occurred up to the acquisition date. Also, an explicit statement was added requiring an acquirer to not recognize contingent assets acquired in a business combination.
The Amendment is applicable to business combinations with an acquisition date starting from January 1, 2022.

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

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

Further to Note 10E(1) to the Annual Financial Statements, regarding the sale of The Phoenix shares and regarding the loan provided to the buyers and components of future contingent consideration (hereinafter, jointly - the “Future Consideration”), measured in the financial statements at fair value, as at March 31, 2022, the Company, through an external appraiser, measured the value of the Future Consideration. As at March 31, 2022, the fair value of the Future Consideration amounted to NIS 208 million (as at December 31, 2021 - NIS 189 million). The profit generated for the Company's shareholders as a result of revaluation of the Future Consideration, as set out above, amounted to NIS 19 million in the first quarter of 2022 and is included in the statement of income under profit (loss) from discontinued operations. 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.

It should be noted that subsequent to the balance sheet date, on April 13, 2022, 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 out of the senior loan received by them from financial institutions and for which the Company signed a credit support document and out of the subordinated loan provided to the buyers by the Company. Accordingly, in April 2022, the Buyers paid the Company an amount of NIS 2 million and repaid an amount of NIS 58 million from the Senior Loan. Subsequent to the repayment, the balance of the senior loan amounts to NIS 437 million.

B. Ithaca

1. Business combination

As set out in Note 10F(5) to the Annual Financial Statements, on February 4, 2022, Ithaca completed a transaction for the acquisition of the full share capital of Marubeni Oil and Gas (UK) Limited (hereinafter - the “Acquired Company” or “Marubeni”). The Acquired Company operates in the energy segment in the North Sea region and its main assets and liabilities include rights at a rate of 41.3% in oil assets in the MonArb area (which has 9 producing oil fields) and additional 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. In addition, as at the acquisition date, the Acquired Company has tax loss carryforwards amounting to USD 1.5 billion.

NOTE 3 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (CONT.)

B. Ithaca (cont.)

1. Business combination (cont.)

The non-contingent consideration set out in the agreement for the acquisition is USD 140 million and is subject to adjustments, including working capital adjustments, such that Ithaca was entitled to cash accrued in the reserves of the Acquired Company as from the effective date up to the completion date, as set out above. The total non-contingent consideration after the adjustments amounted to USD 178 million, of which USD 108 million was paid on the transaction completion date, and the balance of USD 70 million constitutes deferred consideration and will be paid in 2025. 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.

The assets and liabilities of Marubeni are consolidated in Ithaca's financial statements as from the transaction completion date, as outlined above. Ithaca recognized the fair value of the assets acquired and the liabilities assumed in the business combination on a provisional basis, based on the draft valuation prepared by an external appraiser, based, among other things, on the reserves of the acquired assets as estimated by an external independent reserves assessor. The main assumptions regarding the oil and gas prices used in the valuation are as follows: future Brent oil prices of USD 76 per barrel in 2022, USD 69 per barrel in 2023, USD 71 per barrel in 2024, and reaching USD 74 per barrel in 2026; and future gas prices of 164 penny per thermal unit in 2022, 99 pennies/therm unit in 2023, 68 penny per thermal unit in 2024, and reaching 56 penny per thermal unit in 2026. The calculation of the fair value of oil and gas assets is based on the discount rate of 9.5% and calculation of the fair value of liabilities for disposal is based on a discount rate of 2.5%. In addition, assumptions were made regarding the production rate and disposal costs. The valuation of Marubeni's assets and liabilities and the acquisition consideration as included in these financial statements is provisional and will be completed within one year from the transaction completion date.

NOTE 3 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (CONT.)

B. Ithaca (cont.)

1. Business combination (cont.)

The fair value of the identifiable assets acquired and liabilities assumed in the business combination at the acquisition date, in accordance with the provisional valuation:

	USD millions	NIS millions
Cash and cash equivalents	171	547
Current assets	31	99
Investments in oil and gas exploration and production	333	1,065
Deferred taxes	658	2,103
	1,193	3,814
Current liabilities	(5)	(16)
Non-current liabilities (mainly liabilities for disposal of assets)	(253)	(809)
	(258)	(825)
Identifiable assets, net	935	2,989
Net of - gain from the bargain purchase *)	601	1,921
Total acquisition consideration	334	1,068

*) The gain from a bargain purchase in the amount of USD 601 million (NIS 1.9 million) is mainly due to recognition of a deferred tax asset for the tax losses of Marubeni, which it could not utilize prior to the acquisition and which Ithaca believes, given the structure of Ithaca and the Acquired Company and the composition of their assets, and based on the updated forecasts of Ithaca, that Ithaca will be able to utilize them in the future. In addition, the increase in oil and gas prices from the date on which the terms of the agreement were finalized (May 2021) until the closing date of the transaction (February 2022) contributed to the increase in the value of Marubeni's net assets, which increased the gain from the bargain purchase.

Composition of acquisition cost:

	USD millions	NIS millions
Consideration paid in cash	108	346
Present value of deferred consideration	68	217
Fair value of contingent consideration **)	158	505
	334	1,068

**) The fair value was calculated using the discount rate of 2.5%

Transaction costs for acquisition of the investment amounted to USD 4 million and were recognized in the statement of income under other expenses, net.

As from the acquisition date and up to the end of the first quarter of 2022, Marubeni contributed an amount of USD 27.5 to pre-tax profit and USD 103.6 million to revenue.

NOTE 3 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (CONT.)

B. Ithaca (cont.)

2. 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.

3. Subsequent to the balance sheet date, on April 7, 2022, Ithaca signed an agreement with a foreign partnership for the acquisition of the entire share capital (100%) of Siccar Point Energy (Holdings) Limited, which owns different rates of interest in producing oil and gas assets and commercial discoveries in the North Sea region (hereinafter - the "Acquired Company"). According to the information presented by the seller to Ithaca, the quantity of proven and probable reserves (2P) and the quantity of contingent resources in the 2C best estimate attributable to the share of the Acquired Company in all its oil assets, as at December 31, 2021, is estimated at 255 MMBOE, of which 54 million MMBOE are proven and probable reserves (2P).
The non-contingent consideration set out in the agreement for the entire share capital of the Acquired Company amounts to USD 1.1 billion, subject to standard adjustments, to be paid on the transaction completion date. Out of the amount of the consideration, an amount of up to USD 200 million may be amortized, provided that the holders of the debentures issued by the Acquired Company will not exercise their right for early repayment in the event of a change in control of the Acquired Company. In addition to the non-contingent consideration, the agreement sets out a contingent future consideration of up to USD 300 million, which is contingent on a binding final investment decision (FID) in the Cambo and Rosebank discoveries, which will be paid subject to the mechanism set out in the agreement, and an additional contingent future consideration of up to USD 60 million, which is contingent on the future price of the oil products, such that the seller will be entitled to the additional consideration if oil prices remain within certain ranges under the mechanism set out in the agreement. If the transaction is completed, it will be effective from January 1, 2022, such that Ithaca will be entitled to the cash that will accrue in the Acquired Company from that date until the transaction completion date.

   The Acquired Company has total tax loss carryforwards of USD 3 billion. It should be noted that the amount of the deferred tax asset, which may possibly be recognized in Ithaca's financial statements for the transaction, is subject to an accounting review which will be completed after closure of the transaction.

   Ithaca intends to finance the consideration from Ithaca's RBL facility, which can be withdrawn, and from the cash expected to accrue in the reserves of Ithaca and the Acquired Company starting from January 1, 2022 and up to the transaction completion date. It should be clarified that Delek Group has not undertaken any commitment for execution of the transaction.

   The completion of the Transaction depends, among other things, on fulfillment of the conditions precedent set in the Acquisition Agreement, including receipt of generally accepted regulatory approvals from the UK Oil and Gas Authority. Ithaca believes that the transaction may be completed at the end of the second quarter of 2022. According to the agreement, the date for fulfillment of the preconditions will be no later than nine months after signing the agreement.

   The Acquisition Agreement includes additional provisions, representations, undertakings and indemnification arrangements between the parties (by acquiring an insurance policy) in respect of any breach of such representations or undertakings, as is customary in capital reserve sale transactions.

NOTE 3 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (CONT.)

C. NewMed Energy

Subsequent to the balance sheet date, on May 22, 2022, the Delek Drilling declared a dividend in the amount of USD 50 million. The Group's share in this amount is USD 27 million.

D. Delek Israel

Subsequent to the balance sheet date, in May 2022, Delek Israel declared a dividend in the amount of NIS 50 million. The Group's share in this amount is NIS 12.5 million.

NOTE 4 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION

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

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

A. Leviathan Project

Further to Note 12D(1) to the Annual Financial Statements regarding the decision to carry out the Leviathan-8 development and production drilling in the area of the I/14 Leviathan South lease, it should be noted that the drilling is progressing according to plan, schedule and budget and is expected to be completed in the coming weeks. According to the development plan, the drilling will be connected to the existing subsea production system of the Leviathan reservoir in the first quarter of 2023, after completion operations.

B. Yam Tethys project

Further to Note 12G(3) to the Annual Financial Statements regarding the abandonment of the wells and the subsea equipment in the Yam Tethys project, in May 2022, the Yam Tethys project partners approved an addition to the plugging and decommissioning budget, such that the budget will amount to USD 232 million (100%, the Group's share is USD 123 million). As at the date of the financial statements’ approval, the Yam Tethys partners invested an amount of USD 172 million (100%, the share of the Group amounts to USD 90 million).

c. Block 12, Cyprus

Further to Note 12E to the Annual Financial Statements, as the approval date of the report, the partners in the Aphrodite reservoir are working with the government of Cyprus to revise the reservoir development plan to combine the development and production plan of the reservoir with the existing facilities and/or development plans of adjacent assets. Accordingly, the partners decided on an agreement with a drilling rig for carrying out the Aphrodite A-3 drilling in the Block 12 area, which will later be used as a production well, and are also working the update the execution date.

Further to Note 12O to the Annual Financial Statements, regarding the agreement with Israel National Gas Lines Ltd. (hereinafter - INGL”) for the construction of the Ashdod-Ashkelon transmission section, in May 2022, Chevron notified the Partnership that it had received notification from INGL that, although the transmission date for the flow of gas in the Ashdod-Ashkelon offshore transmission section can be extended for up to 6 months, the gas flow commencement date is expected to begin remains April 2023.

NOTE 4 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (CONT.)

E. Further to Note 12F to the Annual Financial Statements regarding the agreement for the sale of rights in the I/16 Tanin and I/17 Karish leases (hereinafter jointly - the "**Leases**"), in May 2022, Energean Oil & Gas plc (hereinafter - **"Energean**") reported that natural gas production from the Karish Reservoir is expected to start in the third quarter of 2022.

The Partnership engaged an independent outside appraiser to estimate the fair value of the outstanding annual royalties and payments from the loans to Energean. Below are the main parameters of the valuations used to measure the royalties and the loan: The capitalization rate for receivables is estimated at 6.5%; the capitalization rate for the royalty component is estimated at 13%; the total contingent resources of natural gas and hydrocarbon liquids (condensate and LNG) used in the valuation to measure the royalties were estimated at 100.2 BCM and 101.3 MMbbl, respectively; 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; 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.

Finance income recorded in the reporting period includes USD 18 million (NIS 57 million) arising from an adjustment of the value of royalties from the Leases amounting to USD 17.6 million (NIS 56 million); and from an adjustment of the amounts receivable in respect of the loan to Energean in the amount of USD 0.4 million (NIS 1 million).

On March 24, 2022, Energean informed the Partnership that it believes that it is operating under a force majeure covenant as defined in the agreement for the sale of rights, and as a result, the annual payment, set for March 2022, will be postponed.

As at the approval date of the financial statements, the Partnership is seeking legal action against Energean.

F. Further to Note 12H to the Annual Financial Statements regarding production tests in the 405/Ofek Hadash license (hereinafter - the **"License**"), on May 22, 2022, the Partnership made a decision to inform the other holders of rights in the License that it will no longer agree to bear any additional expenses for the Ofek-2 drilling works, other than expenses for plugging and decommissioning the well, and that it does not intend to support any proposal to extend the License period before the expiry date of the License, which is on June 20, 2022. Accordingly, the Partnership amortized the investment in the License by an amount of USD 11.2 million (NIS 36 million). The total effect on the profit attributable to the Company's shareholders after tax amounted to NIS 13 million).

G. For further information about the Group's operations in the North Sea region through Ithaca, see Note 3B above.

NOTE 5: INVESTMENT PROPERTY

Further to Note 11 to the Annual Financial Statements regarding the rights to a real estate asset in Acre, subsequent to the balance sheet date, in April 2022, the period of the terminating conditions ended and the buyer waived their fulfillment. Accordingly, the transaction was completed and the lease to the land was handed over. There are deposits in the amount of NIS 13 million, which were released to the Company under the sale agreement.

NOTE 6 - DEBENTURES

A. As set out in Note 18D the Annual Financial Statements, 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 early the principal, interest, and linkage differences on Debentures (Series B18 and Series B19). 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.

Following these operations, in the reporting period, the Company recognized additional finance expenses of NIS 44 million.

B. As at March 31, 2022, the Company complies with the financial covenants of the debentures as set out in the deeds of trust (for information about the covenants, see Note 19 to the Annual Financial Statements).

NOTE 7 - CONTINGENT LIABILITIES

There are contingent claims against the Company and certain investees for significant amounts, including certification for class action lawsuits; 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 (see Note 23A to the Annual Financial Statements). In and subsequent to the reporting period (up to the approval date of the financial statements), there were no material developments in the status of the contingent claims.

NOTE 8 - EQUITY

A. In the first quarter of 2022, 300 Options (Series 12) were exercised for 300 shares of NIS 1 par value of the Company in consideration for a negligible amount. After these exercises, the Company's issued and paid-up share capital totaled 18,287,793 shares of NIS 1 par value, each. Options in circulation: 498,758 Options (Series 11), 259,492 Options (Series 12), 47,266 Options (Series 13), and 82,260 Options (Series 14).

B. Subsequent to the balance sheet date, in May 2022, 500 Options (Series 11) were exercised for 500 shares of NIS 1 par value of the Company in consideration for a negligible amount.
Shortly before the approval date of the financial statements, after the exercise of the options, the issued and paid-up share capital of the Company amounts to 18,288,293 shares of NIS 1 par value each. Options in circulation: 498,258 Options (Series 11), 259,492 Options (Series 12), 47,266 Options (Series 13), and 82,260 Options (Series 14).

NOTE 9 - FINANCIAL INSTRUMENTS

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

A. Fair value

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

	Balance		Fair value	
	March 31 2022	December 31 2021	March 31 2022	December 31 2021
	Unaudited	Audited	Unaudited	Audited
	NIS millions			
Debentures	13,770	13,717	14,211	14,489

The fair value of most of the debentures is classified to level 1 in the fair value hierarchy.
There was no change in the fair value hierarchy as at March 31, 2022 compared with the hierarchy in the Annual Consolidated Financial Statements.

B. Classification of financial instruments according to the fair value hierarchy

1. As at March 31, 2022:

Financial assets measured at fair value

	Level 1	Level 2	Level 3
	Audited		
	NIS millions		
Financial assets at fair value through profit or loss			
Shares	5	-	-
Seller's loan to the buyers of The Phoenix	-	-	208
Royalties receivable for the sale of the Karish and Tanin leases	-	-	889
Loan provided for the sale of the Karish and Tanin leases	-	206	-
Financial assets at fair value through other comprehensive income			
Cash flow hedging transactions	-	89	-

Financial liabilities measured at fair value

	Level 1	Level 2	Level 3
	Audited		
	NIS millions		
Financial liabilities at fair value through profit or loss			
Contingent consideration	-	-	502
Financial derivatives	-	10	-
Financial liabilities at fair value through other comprehensive income			
Cash flow hedging transactions	-	2,954	-

NOTE 9 - FINANCIAL INSTRUMENTS (CONT.)

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

2. As at March 31, 2021:

Financial assets measured at fair value

	Level 1	Level 2	Level 3
		Audited	
		NIS millions	
Financial assets at fair value through profit or loss			
Shares	9	-	-
Seller's loan to the buyers of The Phoenix	-	-	213
Royalties receivable for the sale of the Karish and Tanin leases	-	-	826
Loan provided for the sale of the Karish and Tanin leases	-	210	-
Financial derivatives	-	23	-
Financial assets at fair value through other comprehensive income			
Shares	87	-	-
Financial derivatives	-	15	-

Financial liabilities measured at fair value

	Level 1	Level 2	Level 3
		Audited	
		NIS millions	
Financial liabilities at fair value through profit or loss			
Contingent consideration	-	-	20
Financial liabilities at fair value through other comprehensive income			
Cash flow hedging transactions	-	522	-
Financial derivatives	-	10	-

NOTE 9 - FINANCIAL INSTRUMENTS (CONT.)

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

December 31, 2021

	Level 1	Level 2	Level 3
		Audited	
		NIS millions	
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	-

	Level 1	Level 2	Level 3
		Audited	
		NIS millions	
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	-

In the first quarter of 2022 and 2021, there were no transfers between the different fair value hierarchy levels.

NOTE 9 - FINANCIAL INSTRUMENTS (CONT.)

C. Price risk

(1) Risk associated with commodity prices

Ithaca is exposed to changes in oil and gas prices for its future sales. To hedge the exposure, Ithaca has hedge transactions on gas prices for part of its future production. Information about open transactions as at March 31, 2022:

– Transactions on the price of oil

	Period	**Quantity** (MBBL of oil)	**Average exercise price** (USD/barrel)
Swap	April 2022 to December 2023	4,804	58
Put	April 2022 to December 2022	1,567	64
Collar	April 2022 to December 2023	7,104	67, lower limit, 88, upper limit

– Transactions on the price of gas

	Period	**Quantity** (ktherms)	**Average exercise price** (pennies/therm)
Swap	April 2022 to December 2023	171,350	97
Put	April 2022 to December 2022	45,800	153
Collar	April 2022 to December 2022	91,650	98 - lower limit, 160 - upper limit

The acquisition cost of the hedging transactions amounts to USD 60 million, of which an amount of USD 48 million will be repaid by the end of 2022 and the balance will be repaid in 2023.
The transactions are accounted for as hedge accounting. As at March 31, 2022, the net fair value of the hedge transactions amounted to a liability of USD 899 million (NIS 2,855 million).

NOTE 10 - ADDITIONAL INFORMATION

A. On March 31, 2022, Mr. Gabriel Last completed his term as chairperson of the Company's board of directors. On April 1, 2022, Ehud Erez was appointed acting chairperson of the Company's board of directors. On May 24, 2022, the Company's board of directors, after approval by the compensation committee, approved the terms of engagement with Mr. Erez. Mr. Erez will serve as acting chairperson of the board of directors in a 50% position. His monthly salary will be a total of NIS 60 thousand plus social benefits and reimbursement of expenses as is customary in the Company. The salary is linked to the CPI. Mr. Erez will be entitled to an annual bonus according and subject to approval by the Company's compensation committee and board of directors and in accordance with the Company's compensation policy and any approval required by law.

B. Subsequent to the balance sheet date, on May 24, 2022, the Company's board of directors, after approval by the compensation committee, approved the payment of a special bonus to the Company's CEO for 2021 in the amount of NIS 2.6 million.

C. Further to Note 30C(2) to the Annual Financial Statements regarding the disputes Delek Energy and the Israel Tax Authority for the 2015-2018 tax assessments, in March 2022, Delek Energy signed an agreement with the Tax Authority that regulates the disputes for the tax years. The agreement did not have a material effect on the financial statements.

NOTE 11 - OPERATING SEGMENTS

A. General

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

The operating segments are as follows:

- Oil and gas exploration and production in and around Israel: Most of the activity in the reporting period is in the Leviathan Project joint venture and other oil rights, mainly off the coast of Israel through NewMed Energy. Profit or loss figures for the first quarter of 2021 and for 2021 as a whole include the results of operations attributable to the Tamar Project for which the entire rights were transferred to the acquirers in December 2021 (for further information about the sale of the entire rights in the Tamar project, see Note 12C to the Annual Financial Statements).

- 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.

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

It should be noted that operations presented under profit from discontinued operations, net are not presented as reportable segments.

NOTE 11 - OPERATING SEGMENTS (CONT.)

B. Segment reporting

1) Revenue

	For the 3 months ended March 31		For the year ended December 31
	2022	2021	2021
	Unaudited		Audited
	NIS millions		
Revenue from external sources			
Oil and gas exploration and production in and around Israel **)	684	778	3,231
Development and production of oil and gas assets in the North Sea	2,381	1,126	4,736
Other segments	1	6	6
Total in statement of income	3,066	1,910	7,973

2) Segment results

	For the 3 months ended March 31		For the year ended December 31
	2022	2021	2021
	Unaudited		Audited
	NIS millions		
Oil and gas exploration and production in and around Israel	412	492	1,544
Development and production of oil and gas assets in the North Sea	2,995	382	2,939
Other segments	2	12	116
Adjustments *)	(6)	(15)	31
Operating profit	3,403	871	4,630

*) Mainly administrative and general expenses attributable to the Staff Companies.

NOTE 11 - OPERATING SEGMENTS (CONT.)

B. Segment reporting (cont.)

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

	For the 3 months ended March 31		For the year ended December 31
	2021	2020	2021
	Unaudited		Audited
	NIS millions		
Oil and gas exploration and production in and around Israel	141	166	362
Development and production of oil and gas assets in the North Sea	2,509	141	1,282
Other segments	2	11	115
Adjustments *)	(130)	(113)	(411)
Profit (loss) from continuing operations attributable to shareholders of the Company	2,522	205	1,348

*) Mainly administrative and general expenses, finance expenses and taxes attributable to the Staff Companies.

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Delek Group Ltd.

Financial Information from the Consolidated Interim Financial Statements
Attributed to the Company

as at March 31, 2022

Unaudited

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

Special Report according to Regulation 38D

Financial Data and Financial Information out of the Consolidated Interim Financial Statements

Attributed to the Company

Following are financial data and separate financial information attributed to the Company out of the Group's consolidated interim financial statements as at March 31, 2022, published as part of the periodic reports (hereinafter - the "Consolidated Financial Statements"), presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970.

The attached 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

	As at March 31		As at December 31
	2022	2021	2021
	Unaudited		Audited
	NIS millions		
Current assets			
Cash and cash equivalents	50	57	285
Short-term investments	9	19	8
Income tax receivable	9	29	20
Other receivables	27	25	42
	95	130	355
Assets held for sale	-	18	-
	95	148	355
Non-current assets			
Investments in investee companies and partnerships	4,768	2,799	3,158
Loans and capital notes to investees	3,914	5,011	3,832
Financial assets	-	9	-
Long term loans and debit balances	348	386	330
Investment property	253	196	253
Property, plant and equipment, net	44	46	45
Total non-current assets	9,327	8,447	7,618
	9,422	8,595	7,973

The attached 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

	As at March 31		As at December 31
	2022	2021	2021
	Unaudited		Audited
	NIS millions		
Current liabilities			
Debentures including current maturities	436	4,998	350
Loan from a subsidiary	36	37	63
Other payables	131	140	110
Total current liabilities	603	5,175	523
Non-current liabilities			
Loans from subsidiaries	910	874	895
Loans from others	104	103	103
Debentures	3,428	-	3,839
Other liabilities (primarily liability for retirement of long term assets)	8	11	9
Total non-current liabilities	4,450	988	4,846
Equity attributable to the Company's shareholders			
Share capital	19	18	19
Share premium	2,534	2,361	2,534
Proceeds for conversion options and warrants	18	35	18
Retained earnings	5,588	1,868	3,049
Adjustments from translation of financial statements of foreign operations	(1,021)	(723)	(1,125)
Reserve for transactions with non-controlling interests	(685)	(678)	(684)
Other reserves	(1,770)	(135)	(893)
Treasury shares	(314)	(314)	(314)
Total equity	4,369	2,432	2,604
	9,422	8,595	7,973

May 24, 2022			
Approval date of the financial statements	Ehud Erez Chairman of the Board of Directors	Idan Wallace Chief Executive Officer	Tamir Polikar Executive VP & CFO

The attached 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

	For the 3 months ended March 31		For the year ended December 31
	2022	2021	2020
	Unaudited		Audited
	NIS millions		
Revenue from overriding royalties and gas sales (net of royalties)	-	1	3
Rent	1	5	6
Company's share in earnings of investee companies and partnerships, net	2,654	315	1,727
Total revenue	2,655	321	1,736
Production cost of gas sold	2	-	3
General and administrative expenses	4	8	22
Other expenses, net	2	10	63
Operating profit	2,647	303	1,774
Net finance expenses with respect to loans to investees and others	(13)	-	(21)
Finance expenses (mainly for financial investments), net	-	(11)	(15)
Finance expenses (mainly for debentures)	(114)	(83)	(386)
Profit from continuing operations	2,520	209	1,352
Profit from discontinued operations, net	19	70	80
Net profit attributable to Company shareholders	2,539	279	1,432

The attached 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 3 months ended March 31		For the year ended December 31
	2022	2021	2021
	Unaudited		Audited
	NIS millions		
Net profit attributable to Company shareholders	2,539	279	1,432
Other comprehensive income (loss):			
Amounts not reclassified to profit and loss:			
Other comprehensive income attributable to investee partnerships and companies	-	59	65
Total	-	59	65
Amounts classified or reclassified to profit or loss under specific conditions:			
Adjustments arising from foreign currency translation of a foreign operation's financial statements	69	154	(108)
Other comprehensive income (loss) attributable to the Partnership and investees (post-tax)	(842)	(162)	(1,038)
Total	(773)	(8)	(1,146)
Total other comprehensive income (loss)	(773)	51	(1,081)
Total comprehensive income attributable to Company shareholders	1,766	330	351

The attached 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 3 months ended March 31		For the year ended December 31
	2022	2021	2021
	Unaudited		Audited
	NIS millions		
Cash flows from the Company's operating activities			
Net profit attributable to Company shareholders	2,539	279	1,432
Adjustments needed to present cash flows from the Company's operating activities (a)	(2,380)	(374)	(1,743)
Net cash from (used for) the Company's operating activities	159	(95)	(311)
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	23
Short term deposits, net	(1)	62	78
Proceeds from disposal of investment property	-	-	19
Deposits to long-term deposits	-	(5)	(4)
Collection of long-term deposits	1	-	76
Repayment (provision) of loans provided to others	-	33	73
Provision of loans to, and equity investments in, investees, net	(5)	74	988
Net cash from (used for) the Company's investing activities	(7)	187	1,253
Cash flows from the Company's financing activities			
Issue of share capital and options (less issuance expenses)	-	-	136
Proceeds from exercise of options for shares of the Company	-	17	38
Advance payments on account of share issue	-	7	-
Debenture issuance	-	-	1,256
Loans from subsidiaries	5	98	314
Repayment of loans from subsidiaries	(41)	(3)	(152)
Loans received from others	-	104	104
Repayment of loans from banks and others	-	(113)	(113)
Repayment of debentures	(351)	(275)	(2,370)
Net cash used for the Company's financing activities	(387)	(165)	(787)
Increase (decrease) in cash and cash equivalents	(235)	(73)	155
Cash and cash equivalents at the beginning of the period	285	130	130
Cash and cash equivalents at the end of the period	50	57	285

The attached 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 3 months ended March 31		For the year ended December 31
	2022	2021	2021
	Unaudited		Audited
	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	-	1
Increase in loans granted, net	(2)	(9)	(23)
Impairment of investments and loans provided, net	-	12	16
Company's share in the expenses of investee companies and partnerships *)	(2,439)	(308)	(1,588)
Impairment of liabilities, net	18	17	92
Revaluation of other long-term assets	(19)	(70)	(86)
Gain on disposal of investment property	-	-	10
Impairment (appreciation) of investment property	2	10	(57)
Changes in the Company's asset and liability line items:			
Decrease in other receivables	25	5	(22)
Increase in other accounts payable	34	(31)	(86)
	(2,380)	(374)	(1,743)
*) Net of dividends received	215	8	150
(B) Additional information on cash flows			
Cash paid by the Company during the period for:			
Interest	41	108	416
Cash paid by the Company during the period for:			
Dividends	215	8	151

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

NOTE 1 – GENERAL

A. This separate financial information was drafted in a condensed format pursuant to the provisions of Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970. This separate financial information should be reviewed in conjunction with the separate financial information to the annual financial statements as of December 31, 2021, and for the year then ended and their accompanying notes, and in conjunction with the consolidated interim financial statements as of March 31, 2022 (hereinafter - the " Interim Consolidated Financial Statements").

B. Significant global events that have, or may have, a material effect on the Company's business

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, 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.

In this context, it should be noted that at the end of February 2022, war broke out between Russia and Ukraine and some countries have imposed economic sanctions on Russia. The sanctions include restrictions on trade with Russia and senior Russian officials, suspension of the Nord Stream 2 project, which is intended to double the quantity of gas exported from Russia to Germany, termination of some of the collaborations of international companies with entities in Russia, including significant natural gas and oil production companies, and more. These sanctions increased the demand in the energy market and resulted in a hike in oil and gas prices in the first quarter of 2022, such that on March 31, 2022, the Brent oil price was USD 105 per barrel and the gas price was 304 penny per thermal unit (compared with USD 78 per barrel and 155 penny per thermal unit, respectively, as at December 31, 2021). Shortly before the approval date of the financial statements, the Brent oil price was USD 113 per barrel and the gas price was 138 penny per thermal unit.

However, it should be noted that as at the approval date of the financial statements, there is uncertainty about the effect of the Russia-Ukraine war on future oil and gas prices and on the global economy in general. Additionally, there is still uncertainty about the possibility of a renewed breakout of Covid-19 and its effect on the global economy.

It is further noted that as at March 31, 2022, the Company has a (separate) working capital deficit of NIS 0.5 billion, mainly due to current maturities of debentures issued by the Company. The Group (consolidated) has a working capital deficit of NIS 1.5 billion, mainly due to the fact that under current liabilities in a subsidiary of the Company (Ithaca), a liability is included for financial derivatives. The Company's management believes, based on its cash flow forecast and based on the sources and alternatives available to it, that the Company has sufficient resources to allow it to meet its obligations and comply with its financial covenants in the foreseeable future.

NOTE 2 – CONTINGENT LIABILITIES

There are contingent claims against the Company and some of the investees for significant amounts, including motions for class action suits; in some cases, it is not possible to assess their outcome at this stage, and therefore no provision was recorded in the financial statements. See also Note 7 to the consolidated interim financial statements.

NOTE 3 – EQUITY

For information about the exercise of options in the reporting period, see Note 8 to the consolidated interim financial statements.

NOTE 4 – DEBENTURES

In March 2022, the general meeting of debenture holders approved the fourth amendment to the deeds of trust for the old debentures; for information about the amendment, see Note 6 to the consolidated interim financial statements.

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Chapter D

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

Delek Group Ltd.

Quarterly Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure, Pursuant to Regulation 38C(a):

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

For this matter, the members of Management are:

1. Idan Wallace, CEO.
2. Tamir Polikar, Executive VP & CFO.
3. Leora Pratt Levin, Chief Legal Counsel.
4. Lena Berenshtein, Chief Controller

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

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

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

In the Annual Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure, which was attached to the Periodic Report for the period ended December 31, 2021 (hereinafter - the “Most Recent Annual Report of Internal Control"), the Board of Directors and Management assessed the internal controls within the Corporation; based upon this assessment, the Board of Directors and Management of the Corporation have concluded that the said internal controls, as of December 31, 2021, were effective.

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

As of the report date, based on the Report on the Effectiveness of Internal Control in the annual report and based on information brought to the attention of Management and the Board of Directors as stated above, the internal control is effective.

Declaration of Executives in accordance with Regulation 38C(d)(1):
Declaration of Executives
Declaration of the CEO

I, Idan Wallace, declare that:

1. I have reviewed the interim financial statements and the other financial information included in the reports for the interim period of Delek Group Ltd. ("the Corporation") for Quarter 1 of 2022 ("the Reports" or “Reports for the Interim Period”);

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

3. To the best of my knowledge, the financial statements and other financial information in the Reports reflect fairly, in all material respects, the financial position, the results of operations and the cash flows of the Corporation at the dates and for the periods covered by the Reports;

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

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

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

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

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

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

   C. No event or matter has been brought to my attention during the period between the most recent periodic report date and the date of this Report that changes the conclusion of the Board of Directors and Management in respect of the effectiveness of the internal control over the Corporation's financial reporting and disclosure.

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

May 24, 2022

Idan Wallace
Chief Executive Officer

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

I, Tamir Polikar, declare that:

1. I have reviewed the interim financial statements and the other financial information included in the reports for the interim period of Delek Group Ltd. ("the Corporation") for Quarter 1 of 2022 ("the Reports" or “Reports for the Interim Period”);

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

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

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

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

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

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

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

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

   C. no event or matter has been brought to my attention during the period between the most recent periodic report date and the date of this Report that relates to the Interim Financial Statements and to any other financial information included in the Reports for the Interim Period that changes the conclusion of the Board of Directors and Management in respect of the effectiveness of the internal control over the Corporation's financial reporting and disclosure.

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

May 24, 2022

Tamir Polikar
Deputy CEO and Chief Financial Officer