Delek Group

FINANCIAL STATEMENTS

UNAUDITED

AS OF JUNE 30, 2022

IMPORTANT

This document is an unofficial translation for convenience only of the Hebrew original of the June 30, 2022, financial report of Delek Group Ltd. that was submitted to the Tel-Aviv Stock Exchange and the Israeli Securities Authority on August 24, 2022.

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

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Chapter A

Corporate Description

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

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

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

1. During the second quarter and until the publication date of the report, a total of 62,221 warrants (Series 11-13) have been exercised (including by interested parties) into Company shares, for a total consideration of NIS 16 million.[2]
2. For information concerning securities transactions executed by the Company's principal shareholders, see the Company's immediate report dated August 3, 2022 (Ref. No. 2022-01-080214), the details of which are included herein by way of reference.
3. On May 30, 2022, the Company published a shelf prospectus. For more information, see the Company's immediate report dated May 30, 2022 (Ref. No. 2022-01-064525), 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 August 18, 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 August 25, 2022. In accordance with the Partnership's announcement, the profits will be distributed on September 22, 2022; the Company's share in the distribution is USD 27 million.

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

A. On June 15, 2022, Israel, Egypt, and the EU signed a memorandum of understanding for cooperation in the trade, transportation, and export of natural gas to EU countries (hereinafter in this section - the "**MoU**"). Under the MoU, the parties will take steps to ensure a regular supply of natural gas to EU countries from Egypt, Israel, and other countries, through the liquefaction of natural gas at the liquefaction facilities in Egypt. This is subject to maintaining energy security in the local market of each of the countries that are party to the MoU, without preventing Israel or Egypt from exporting natural gas to other countries. The MoU also stipulates that the EU will encourage European companies to participate in competitive processes and invest in natural gas exploration and production projects in Israel and Egypt.

B. On June 20, 2022, the Knesset Research and Information Center published an economic review on the effect of the global energy crisis on the energy sector in Israel and on the Israeli Citizens Fund (hereinafter - the "**Review**"), the main points of which are as follows:

(1) Effect on the electricity sector in Israel - The increase in global coal prices due to higher global demand and global shortages in the supply of various fuels, among other things, due to the war between Russia and the Ukraine, affects the Israeli electricity sector, which relies in part on coal to generate electricity. Accordingly, the Electricity Authority announced an increase of 83% in the cost of coal-based electricity in February-June 2022. According to the

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1 The update contains material changes or developments in the Company's business in the second quarter of 2022 and up to immediately prior to the date of this report, in any matter requiring disclosure in the Periodic Report and which was not updated in the quarterly report for the first quarter of 2022, as published on May 25, 2022 (Ref. No. 2022-01-064525) (hereinafter - the "**First Quarter 2022 Report**"). The update refers to the section numbers in Chapter A (Description of the Corporation's Business) in the Periodic Report for 2021, as published on March 30, 2022 (Ref. No. 2022-01-038020) (hereinafter - the "**Periodic Report**") and supplements the content disclosed therein.

2 On August 8, 2022, subsequent to the balance sheet date, 152 Series 13 warrants expired.

review, the economic costs of continued operation of the coal plants in view of the energy crisis, which is estimated at approximately NIS 1 billion in 2022, are high compared with natural gas-based electricity, and are also expected to increase the price of electricity for the consumer.

(2) Effect on the Israeli Citizens Fund - The price of natural gas sold to independent power producers is expected to increase due to the increase in electricity prices, in a way that will affect the income from levies for the Fund. In addition, the global increase in oil prices affects the price of exported natural gas, which is partly linked to the price of a barrel of oil, as well as the export of natural gas from Israel through Egypt to Europe, under the MoU, and is also expected to result in an increase in the quantities of gas sold.

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

Further to Section A.3 in the update of the third part of Chapter A (Description of the Corporation's Business) in the report for the first quarter of 2022, referring to 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 was completed in June 2022, according to schedule and under the planned budget. According to the work plan, the drilling was completed and will be connected to the existing subsea production system of the Leviathan Project in the first quarter of 2023.

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

Further to Section A.4 in the update of the third part of Chapter A (Description of the Corporation's Business) in the report for the first quarter of 2022, referring to the agreement of the partners in the Aphrodite reservoir with a drilling rig for drilling in Aphrodite 3-A in the area of Block 12, which will later be used as production well, it should be noted that the partners in the Aphrodite reservoir plan to submit the updated development and production plan for the reservoir to the Cyprus government by the end of the year, to combine development of the reservoir with the existing facilities and/or development plans of adjacent assets.

5. Referring to Sections 1.7.6 and 1.7.7 to the Periodic Report - Licenses 405/Ofek Hadash and 406/Yahel Hadash exploration licenses (hereinafter - the "Ofek Hadash License" and the "Yahel Hadash License", respectively).

Further to Section A.6 in the update of the third part of Chapter A (Description of the Company's Business) in the report for the first quarter of 2022 and in the Company's immediate report of May 23, 2022 (Ref: 2022-01-062491), referring to the Partnership's decision to inform the other holders of rights in the Ofek Hadash license, among other things, that it will no longer agree to bear any additional expenses for the works in the Ofek-2 well, other than expenses related to plugging and decommissioning of the well, and that it does not intend to support any proposal to extend the license period, it should be noted that, on June 20, 2022, the Ofek Hadash license and the Yahel Hadash license expired, and the Partnership did not join the application of the license operator to the Commissioner of Petroleum Affairs at the Ministry of Energy to extend their validity.

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

Further to Section A.7 in the update of the third part of Chapter A (Description of the Corporation's Business) in the report for the first quarter of 2022 about the dispute with Energean Israel Limited (hereinafter - "**Energean**"), referring to payment of the balance of the consideration under the agreement for the sale of the rights in the Karish and Tanin leases, on May 31, 2022 the Partnership filed a claim against Energean. For more information, see the Company's immediate report of May 31, 2022 (Ref. No. 2022-01-068194), included herein by way of reference.

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

In the second 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.

8. Referring to Section 1.7.13(B) - Export

A. Further to Section 1.7.13(B)(2) to the Periodic Report, referring to the Partnership's activity to advance options for the use of the existing and/or new pipeline to regional markets, it should be noted that, as at the approval date of the report, the Partnership and Chevron Mediterranean Limited (hereinafter - "**Chevron**") are assessing additional options to increase quantities of natural gas exported through the Emek HaYarden (Jordan Valley) plant (hereinafter - **"North Jordan**") and through the construction of a new onshore connection by Israel National Gas Lines Ltd. (hereinafter - "**INGL**") from the Israeli transmission system to Egypt in the Nitzana area. In this context, it should be noted that on June 14, 2022, the Natural Gas Authority published a request for information regarding the ability and intention of the partners in the producing projects to export natural gas through the North Jordan plant and through the Ramat Hovav-Nitzana onshore pipeline that will be installed in the area. In the request, the partners were asked to estimate the quantities of natural gas expected to be exported through this infrastructure when it is completed. Later, on July 25, 2022, Chevron submitted a response to the Natural Gas Authority that the Leviathan partners are interested in using the full transmission capacity in the above infrastructure.

B. Further to Section 1.7.13(B)(5)(e) to the Periodic Report and Section A.10 in the update to the third part of Chapter A (Description of the Corporation's Business) in the report for the first quarter of 2022, referring to the extension of the timetable for flow of gas in the Ashdod-Ashkelon offshore transmission section, it should be noted that in August 2022, Chevron informed the Partnership that INGL had informed it that the flow of gas is expected to start in May 2023.

9. Referring to Section 1.7.15(B) to the Periodic Report - Oil and gas exploration in recent years

On May 30, 2022, the Ministry of Energy announced its intention to open a fourth competitive process for natural gas exploration in Israel's exclusive economic zone.[3] As at the approval date of the report, the competitive process has not yet been opened.

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

A. Further to Section A.11 in the update to the third part of Chapter A (Description of the Corporation's Business) in the report for the first quarter of 2022, referring to approval of a plan to acquire debentures issued by Leviathan Bond Ltd., a wholly owned subsidiary of the Partnership (hereinafter - the "**Leviathan Bond Debentures**"), it is noted that up to the approval date of the report, the Partnership made buybacks of USD 33 million par value Leviathan Bond Debentures for a consideration of USD 33 million, including accrued interest at the acquisition date.

B. On July 25, 2022, S&P Global Ratings reiterated its BB- rating, with a stable outlook, for the Leviathan Bond Debentures. On July 25, 2022, S&P Maalot reiterated its ilA+ rating, with a stable outlook, for the Leviathan Bond Debentures. On August 4, 2022, Fitch Ratings reiterated its BB rating, with a stable outlook, for the Leviathan Bond Debentures.

11. Referring to Section 1.7.19(B)(3) to the Periodic Report - The laws and/or guidelines of the competent authorities on environmental issues applicable to the Partnerships

It should be noted that the Climate Bill, 2021, which was published in April 2021, with the aim of creating an organizational framework for the State of Israel to address climate change, was taken off the agenda, and that on June 1, 2022, the Climate Bill, 2022[4], was presented to the Knesset for a preliminary discussion; under the Climate Bill, from 2030, the goals for reducing carbon emissions will be in accordance with Government Decision 171 of July 25, 2021, and from 2050 onwards, there will be zero emissions (hereinafter in this section - the "**Bill**"). On June 28, 2022, first reading of the Bill was approved in the plenary, and as at the approval date of the report, the Bill is before the Internal Affairs and Environment Committee for preparation for second and third reading. The Partnership believes that the legislation process is not expected to be completed in the term of the current Knesset.

12. Referring to Section 1.7.19(E) - Environmental risk management policies

Chevron, the operator of the Leviathan project, informed the Partnership that the validity of the poisons permit in the project was extended until June 4, 2023, in accordance with the requirement of the law.

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3 https://www.gov.il/he/departments/news/press_300522 .

4 https://main.knesset.gov.il/Activity/Legislation/Laws/Pages/LawBill.aspx?t=lawsuggestionssearch&lawitemid=2193180.

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

A. Further to Section 1.7.27(B)(1) to the Periodic Report, regarding the guidelines for calculation of the royalty value at the wellhead, it should be noted that on July 24, 2022, the individual provisions of the Commissioner of Petroleum Affairs at the Ministry of Energy for the calculation method of state royalties from the Leviathan reservoir were received.

B. On May 29, 2022, the Electricity Authority published for public reference a multi-year plan for meeting the renewable energy consumption targets (hereinafter in this section - the "**Plan**"),[5] which includes the main steps that the Israel Electricity Authority plans to take to meet the goals by 2025. Meanwhile, the Plan describes the installed capacity required by 2025 within the existing regulations for the construction of renewable energy facilities, and the existing challenges in the development and operation of the electricity grid. In addition, on July 19, 2022, the Israel Electricity Authority issued a call for public comments for the review of renewable energy targets for 2050.[6] Meanwhile, the Israel Electricity Authority wishes to review public recommendations for how to achieve a low-carbon economy and the tools required for this purpose, barriers to a zero-emissions economy by 2050, and proposals for incentives, steps and mechanisms to achieve these goals.

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

Further to Section 1.7.34(B) of the Periodic Report, regarding a claim filed by the Partnership and Chevron (hereinafter together in this section - the "**Plaintiffs**") with the District Court in Jerusalem against the State of Israel, which includes mainly a demand to return royalties, which the Plaintiffs overpaid to the state, under protest, for revenues arising from gas supply agreements between natural gas consumers and the Yam Tethys partners, it should be noted that on July 19, 2022, the parties agreed, as advised by the court, to negotiate in an attempt to reach a settlement. As at the reporting date, on August 16, 2022, the court approved the extension of the deadline for notifying the court of the results of the negotiations to August 26, 2022, and in the absence of agreements, the court is expected to hand down a judgment in the claim by November 2022.

15. Referring to Section 1.7.35(C) and Section 1.20.3 to the Periodic Report - Renewable energies

As part of the Partnership's strategy to enter into and invest in the renewable energy sector, on August 14, 2022, the Partnership signed a memorandum of understanding on the matter with Enlight Renewable Energy Ltd., which is subject, among other things, to the approval of the general meeting of the holders of the Partnership's participating units. For more information, see the Company's immediate report of August 15, 2022 (Ref. No. 2022-01-083574), included herein by way of reference.

16. Referring to Sections 1.7.35(D) and 1.20.2 to the Periodic Report - Restructuring transaction

A. On July 25, 2022, the Supreme Court handed down its judgment on the appeal. For more information, see the Company's immediate report of July 26, 2022 (Ref. No. 2022-01-095236), included herein by way of reference. On August 17, 2022, the Supreme Court ruled to extend the deadline for convening a general meeting of the holders of the Partnership's participation units to January 31, 2023.

B. As part of the Partnership's strategy to advance a transaction to exchange all the participating units of the Partnership with the shares of a new company incorporated in the UK, which will be listed concurrently on the London Stock Exchange and the Tel Aviv Stock Exchange, by way of approval of an arrangement under Sections 350 and 351 of the Companies Law, 1999 (hereinafter in this section - the "**Transaction**"), it should be noted that, as at the approval date of the report, the Partnership is holding preliminary negotiations for the possibility of carrying out the Transaction with a company listed on the London Stock Exchange.

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5 https://www.gov.il/BlobFolder/rfp/shim_rav_shenati_ne_05_2022/he/Files_Shimuah_tochnit2025_nn.pdf.

6 https://www.gov.il/he/departments/publications/Call_for_bids/kol_kore_2050.

17. Natural gas production data from the Leviathan Project for the first and second quarters of 2022:[7,8]

		Q1	Q2
		Natural gas	**Natural gas**
Total output (attributable to the equity holders of the Company) for the period (in MMCF for natural gas and MBBL for condensate)		23,795	24,482
Average price per output unit attributable to equity holders of the Company (USD per MCF and per barrel)		5.67	6.50
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	0.68
	Third parties	0.15	0.16
	Interested parties	0.07	0.08
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	0.15
Average production costs per output unit (attributable to equity holders of the Company) (USD per MCF and BBL)[9,10]		0.76	0.81
Average net proceeds per output unit (attributable to equity holders of the Company) (USD per MCF and BBL)		4.21	4.92

B. The Foreign Energy Segment

1. Referring to Section 1.8.2 to the Periodic Report - Summary of Reserves Data

For further information about the reserves report, contingent resources, and discounted cash flow for Siccar Point Energy (Holdings) Limited (hereinafter - "**Siccar Point**"), see the Company's immediate report of June 7, 2022 (Ref. No.: 2022-01-058083), the details of which are included by way of reference. The transaction for the acquisition of Siccar Point was completed on June 30, 2022; for further information see Section A below.

2. Referring to Section 1.8.4 to the Periodic Report – The oil assets of Ithaca Energy Limited, a wholly owned subsidiary (100%) (indirectly) of the Company (hereinafter - "Ithaca"),[11] on the UK Continental Shelf in the North Sea region

It is clarified that the information detailed below with respect to Ithaca's oil assets is based on information provided by Ithaca and the oil assets' operators.

A. Referring to Sections 1.8.4(C)(3) and 1.8.4(C)(5) to the Periodic Report – Following the completion of Stage A of the enhanced oil recovery (EOR) development plan[12] in the Captain field, in 2022, Stage B of the development plan began. In Stage B, four producing wells will be drilled, and seven polymer injection facilities will be installed in Areas B and C of the field. Following implementation of Stage B, production is expected to begin in the fourth quarter of 2022.

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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 payments, production costs and net proceeds have been rounded to two decimal digits.

8 As the total costs involved in the production of condensate in the second quarter of 2022 exceeded the total revenue received for it, and as condensate is a by-product of natural gas production, no separate data relating to condensate output were presented in the table above, and all costs and expenses relating to condensate production were attributed to natural gas production.

9 It is emphasized that the average production costs per output unit only include current production costs and do not include reservoir exploration and development costs or the Partnership'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 and USD 31.8 million in the second quarter of 2022 (100%).

11 Oil assets held by Ithaca Oil and Gas Ltd., which is a wholly owned subsidiary (indirectly) of Ithaca.

12 This method is intended to improve the flow rate of the oil by increasing viscosity by injecting polymers into the wells. Ithaca has developed expertise in EOR production and is a pioneer in EOR production in the North Sea region.

B. Referring to Sections 1.8.4(D)(4) and 1.8.4(D)(5)b to the Periodic Report – Further to the approval of the development plan for production in the Abigail field, Ithaca reports that development in the field are progressing ahead of schedule, and that production from the Abigail field is expected to begin at the end of the third quarter of 2022.

C. Referring to Section 1.8.4(f)(1)k to the Periodic Report - the Company is hereby updating that a decision has been made to conduct an appraisal drilling in the 30/12d-12 drilling located in the 1820P license area - the Isabella field (hereinafter - the "**Drilling Decision**" and the "**Drilling**" or "**Oil Asset**", respectively). Ithaca holds 10% of the rights to the Oil Asset, and accordingly - incurs 10% of the drilling costs and will be eligible to 10% of the future revenues from the Oil Asset, if any. The drilling is located in Block 30/12d in an area at the center of the North Sea, UK, above-ground, approximately 270 km southeast of Aberdeen, Scotland. The decision to approve the drilling is based, inter alia, on an assessment of the commercial viability in case of success in discovering hydrocarbons. It is noted that all the approvals have been obtained and all contracts have been entered into with the drilling contractor and other contractors for the purpose of carrying out the drilling. According to information provided by TotalEnergies E&P North Sea UK Ltd. (hereinafter - the "**Operator**"), the drilling is expected to commence in August-September 2022 and continue for approximately 165 days. Depending on the findings of the drilling, about 100 more days may be needed in order to carry out further actions to collect more data and conduct production tests, if a decision is made to carry them out. These dates may be updated, inter alia, depending on the availability of the drilling rig, pending approvals by various authorities, according to onsite conditions, the drilling's findings, etc. The main target layer is the Judy Reservoir - a deep-water sandstone reservoir. The drilling is an appraisal drilling, the purpose of which is to test the presence of hydrocarbons. If hydrocarbons are discovered, the Operator intends to complete data collection, examine the possibility of carrying out production tests, and to plug and decommission the wellhead. Subsequently, the data will be assessed in order to establish whether there is commercial viability for production. The water depth at the drilling site is 261 feet (approx. 80 meters) and the final planned depth of the drilling is 17,150 feet (approx. 5,230 meters). During the drilling, and according to its findings, the original plan may change, including the depth of the drilling as well as any other action, all as the Operator sees fit and in accordance with professional considerations. The total cost of drilling (100%) is estimated at approximately GBP 63.2 million in a dry-hole case. In case of a success, further gross costs (100%) of GBP 30 million will be incurred. The total cost of drilling (100%) in case of a success, is estimated at approximately GBP 93.2 million, with Ithaca's share amounting to GBP 9.3 million (10%). Carrying out production tests, if needed, will require an additional cost estimated at GBP 20.2 million (100%), of which GBP 2.1 million (100%) has been approved. For additional details regarding the partners to the Oil Asset and their share of the AFE, see Note 1.84(f)(2) to the Periodic Report, the details of which are included therein by way of reference.

Warning regarding forward-looking information - the above assessments regarding the production commencement dates (Stage B of the EOR plan in the Captain Field and production in the Abigail Field), as well as the data provided with respect to the Isabella Field - including: commencement date of the drilling, duration of the drilling, drilling costs and other data provided with respect to the drilling decision - constitute forward-looking information, as defined by the Securities Law, 1968. These details are based solely on assessments and hypotheses and on information provided by the operators, and there is no assurance or certainty that these details will not be updated subsequently, prior to the commencement of the drilling or after drilling has begun and/or as a result of multiple factors characterizing oil and natural gas exploration activity, including as a result of operational conditions, market conditions and/or regulatory conditions.

3. Referring to Section 1.8.6 to the Periodic Report - Exploration license in Block 7, in Canada (hereinafter, in this section - the "License")

Subsequent to the reporting date, on August 1, 2022, the holders of the license rights and the Canada-Newfoundland and Labrador Offshore Petroleum Board (the relevant regulator in Canada) signed an agreement under which, subject to fulfillment of the terms set out in the agreement, and, among other things, the deposit of annual guarantees, the performance of an electromagnetic survey, and the approval of an agreement for the performance of a 3D seismic survey within the time stipulated in the agreement, the license will be amended such that the holders of the license rights will return part of the license area, and the validity of the new license will be extended to January 15, 2026 (unless a discovery is declared in the license).

4. Referring to Section 1.8.18 to the Periodic Report - Credit rating

A. Referring to Section 1.8.18(b) - the RBL Facility - As at June 30, 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.

B. Referring to Section 1.8.18(B)(6) – Issuance of debentures – For information about Ithaca's announcement of its intention to buy back, from time to time, up to 10% of the balance of Ithaca's debentures in circulation, see the immediate report of July 20, 2022 (Ref. No.: 2022-01-092269), the details of which are included by way of a reference.

5. Referring to Section 1.8.20 to the Periodic Report - Taxes

For information about the announcement of the UK government of its intention to impose a levy at a rate of 25% for a limited period (from May 26, 2022 up to the end of 2025) (hereinafter – the " **Limited New Levy**"), for gas and oil profits of companies operating in the North Sea, in addition to the current tax of 40%, see the Company's immediate report of May 29, 2022 (Ref. No.: 2022-01-065848), the details of which are included by way of a reference. In July 2022, subsequent to the balance sheet date, the legislation proceeding of the new Limited New Levy was completed. For further information, see Note 10D to the Financial Statements attached to this Report.

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

A. On June 30, 2022, Ithaca informed the Company that it had completed a transaction in which Ithaca Energy (UK) Limited, a subsidiary of Ithaca, acquired the full share capital (100%) of Siccar Point, and the full share capital (100%) of Summit Exploration and Production Limited (hereinafter – "**Summit**"). For more information, see the Company's immediate report dated July 3, 2022 (Ref. No. 2022-01-082333), the details of which are included herein by way of reference.

B. Further to the Company's strategy and its announcement of the intention to complete an equity transaction in Ithaca by the end of 2022, the Company reports that it is in advanced stages of listing its holdings in Ithaca on the premium listing on the Main Market of the London Stock Exchange.

7. Production data for Ithaca's producing oil assets:[13]

A. Production data attributable to the Company's share in Captain Area assets for the first and second quarters of 2022:

	First quarter			Second quarter		
	Oil	Natural gas	Condensate	Oil	Natural gas	Condensate
Total output in the period	1,659,600 BBL	-	-	1,726,936 BBL	-	-
Average price per output unit (attributable to equity holders of the Company) (USD per BOE)	89.7	-	-	112.2	-	-
Average production costs per output unit (USD per BOE)	22.5	-	-	19.4	-	-
Net production costs per output unit (USD per BOE)	67.2	-	-	92.8	-	-

[13] It should be clarified that subsequent to and due to completion of the acquisition transactions for Siccar Point, Summit, and Marubeni Oil and Gas (UK) Limited, several oil assets, some of which are producing assets, were added to Ithaca. Following the completion of the acquisitions, the production data were adjusted to the first quarter and second quarter of 2022; there was also a change in the asset groups of Ithaca (including the Other Non-Operated Assets group, and the Other Operated Assets group). The information below includes the production data of the producing oil assets according to the new sets.

B. Production data attributable to the Company's share in the GSA Area for the first and second quarters of 2022:

	First quarter			Second quarter		
	Oil	Natural gas	Condensate	Oil	Natural gas	Condensate
Total output in the period	393,131 BBL	4,444 MCF	129,708 BBL	223,589 BBL	2,455 MCF	75,777 BBL
Average price per output unit (attributable to equity holders of the Company) (USD per BOE)	96.3	181.0	71.8	110.7	104.9	70.4
Average production costs per output unit (USD per BOE)	8.9	8.9	8.9	22.7	22.7	22.7
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	7.9	7.9	7.9
Net production costs per output unit (USD per BOE)	85.4	170.1	60.9	80.1	74.3	39.8

C. Production data attributable to the Company's share in the Schiehallion reservoir for the first and second quarters of 2022:[14]

	First quarter			Second quarter		
	Oil	Natural gas	Condensate	Oil	Natural gas	Condensate
Total output in the period	355,325 BBL	99,370 MCF	-	347,134 BBL	81,240 MCF	-
Average price per output unit (attributable to equity holders of the Company) (USD per BOE)	111.2	208.7	-	125.1	107.0	-
Average production costs per output unit (USD per BOE)	24.0	24.0	-	22.6	22.6	-
Net production costs per output unit (USD per BOE)	87.2	184.7	-	102.5	84.4	-

14 The Schiehallion reservoir was acquired in the Siccar Point transaction, which was completed on June 30, 2022 and is effective from January 1, 2022.

D. Production data attributable to the Company's share in the Greater Britannia Area (GBA) for the first and second quarters of 2022:

	First quarter			Second quarter		
	Oil	Natural gas	Condensate	Oil	Natural gas	Condensate
Total output in the period	367,727 BBL	3,478 MCF	146,845 BBL	306,107 BBL	4,168 MCF	51,004 BBL
Average price per output unit (attributable to equity holders of the Company) (USD per BOE)	129.8	180.7	40.1	107.3	80.7	42.3
Average production costs per output unit (USD per BOE)	9.9	9.9	9.9	11.8	11.8	11.8
Net production costs per output unit (USD per BOE)	119.9	170.8	30.2	95.5	68.9	30.5

E. Production data attributable to the Company's share in the MonArb Area for the first and second quarters of 2022:

	First quarter			Second quarter		
	Oil	Natural gas	Condensate	Oil	Natural gas	Condensate
Total output in the period	319,983 BBL	715 MCF	10,553 BBL	483,523 BBL	1,172 MCF	22,924 BBL
Average price per output unit (attributable to equity holders of the Company) (USD per BOE)	103.8	158.0	78.6	135.8	144.0	79.6
Average production costs per output unit (USD per BOE)	29.2	29.2	29.2	15.8	15.8	15.8
Net production costs per output unit (USD per BOE)	74.6	128.8	49.4	120.0	128.2	63.8

F. Production data attributable to the Company's share in the Mariner Area for the first and second quarters of 2022:[15]

	First quarter			Second quarter		
	Oil	Natural gas	Condensate	Oil	Natural gas	Condensate
Total output in the period	203,875 BBL	-	-	177,679 BBL	-	-
Average price per output unit (attributable to equity holders of the Company) (USD per BOE)	96.7	-	-	109.2	-	-
Average production costs per output unit (USD per BOE)	25.6	-	-	22.5	-	-
Net production costs per output unit (USD per BOE)	71.1	-	-	86.7	-	-

[15] The Mariner reservoir was acquired in the Siccar Point transaction, which was completed on June 30, 2022 and is effective from January 1, 2022.

G. Production data attributable to the Company's share in Other Non-Operated Assets for the first and second quarters of 2022:

	First quarter			Second quarter		
	Oil	Natural gas	Condensate	Oil	Natural gas	Condensate
Total output in the period	299,173 BBL	2,954 MCF	117,881 BBL	267,574 BBL	2,048 MCF	38,022 BBL
Average price per output unit (attributable to equity holders of the Company) (USD per BOE)	131.5	166.3	33.9	122.1	119.5	67.1
Average production costs per output unit (USD per BOE)	11.7	11.7	11.7	15.9	15.9	15.9
Net production costs per output unit (USD per BOE)	119.8	154.6	22.2	106.2	103.6	51.2

H. Production data attributable to the Company's share in (including the Other Non-Operated Assets group, and the Other Operated Assets group) for the first and second quarters of 2022:

	First quarter			Second quarter		
	Oil	Natural gas	Condensate	Oil	Natural gas	Condensate
Total output in the period	596,750 BBL	1,992 MCF	37,624 BBL	527,529 BBL	2,012 MCF	19,728 BBL
Average price per output unit (attributable to equity holders of the Company) (USD per BOE)	112.8	197.1	96.8	113.0	108.4	73.5
Average production costs per output unit (USD per BOE)	39.5	39.5	39.5	36.2	36.2	36.2
Net production costs per output unit (USD per BOE)	73.3	157.6	57.4	76.9	72.3	37.3

C. Additional operations

1. Referring to Section 1.9 to the Periodic Report - Additional operations

On May 30, 2022, Delek Israel Properties (D.P.) Ltd. published a first draft of a supplementary prospectus for an initial public offering of Debentures (Series A).

Part Four – Matters Relating to the Company as a Whole

1. Referring to Section 1.11 to the Periodic Report – Human capital; Regulation 21 of Chapter D to the Periodic Report - compensation for interested parties and senior officers

A. On May 24, 2022, subsequent to approval of the compensation committee, the Company's board of directors approved the Company's agreement with Ehud Erez, regarding the terms of his office and employment as chairperson of the Company's board of directors, under Regulation 1B4 of the Companies Regulations (Relief in Transactions with Interested Parties), 2000. For more information, see the Company's immediate report dated May 24, 2022 (Ref. No. 2022-01-051312), the details of which are included herein by way of reference.

B. On May 24, 2022, after renewed discussions in the compensation committee and the board of directors, the Company's board of directors approved a special bonus deviating from the Company's compensation policy to the Company's CEO Idan Wallace. For more information, see the Company's immediate report dated May 24, 2022 (Ref. No. 2022-01-051327), the details of which are included herein by way of reference.

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

A. Referring to Section 1.14.9 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	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 / Report of the Board of Directors for 2021**").
25% of the share capital of Delek Israel	See the financial data attached as Appendix C to the Report of the Board of Directors for 2021.
25% of the share capital of Delek Properties	See the financial data attached as Appendix C to the Report of the Board of Directors for 2021.
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.
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 for 2021, "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 Report of the Board of Directors for 2021 and Note 3A to the Consolidated Interim Financial Statements as at June 30, 2022.
100% of the issued and paid up capital of Delek Overriding Royalty Leviathan Ltd.	See the financial data attached as Appendix C to the Report of the Board of Directors for 2021. 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.

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

On July 12, 2022, Midroog Ltd. rating agency announced that it is upgrading the rating of Debentures (Series B31 and Series B34) issued by the Company, from Baa3.il to Baa1.il with stable outlook. For more information, see the Company's immediate report dated July 12, 2022 (Ref. No. 2022-01-087916), the details of which are included herein by way of reference.

3. Referring to Section 1.19 of the Periodic Report - Legal Procedures; Note 23A2 to the Financial Statements for 2021

A. Further to Note 23A2(9) to the Company's Annual Financial Statements in Chapter C to the Periodic Report and Section D in the fourth part of the update of Chapter A (Description of the Corporation's Business), in the report for the first quarter of 2022, 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 - the "**Delek Foundation"**), and regarding the motion filed by the Delek Foundation at the Tel Aviv District Court under Section 345F of the Companies Law, 1999 (hereinafter in this subsection - the "**Motion**") for ratification of donations given by it in the past to the Western Wall

Heritage Foundation, it is noted that on July 15, 2022, a judgment was rendered rejecting the motion. The Company is assessing its steps regarding the ruling, and is considering the option of appealing it at the Supreme Court.

B. Further to Note 23A2(10) to the Company's Annual Final Statements, referring to the motion for certification of a derivative claim filed on behalf of the Company against wholly owned companies of the Company, and against officers in the Company regarding claims (denied) of the buyback of the Company's shares and debentures in January and February 2020 (hereinafter in this section - the "**Motion**"), on July 20, 2022, the Tel-Aviv Jaffa District Court (Economic Department) handed down a ruling ordering the Motion to be struck out. For more information, see the Company's immediate report dated July 21, 2022 (Ref. No. 2022-01-076947), the details of which are included herein by way of reference.

Delek Group Ltd.

Date: August 23, 2022

Names and titles of the signatories:

Ehud Erez, Chairperson of the Board of Directors

Idan Wallace, CEO

Chapter

B

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

August 23, 2022

Delek Group Ltd.

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

For the three-month period ended June 30, 2022

The Board of Directors of the Delek Group Ltd. (hereinafter - the “Company" and/or "the Group"), hereby presents the Company's Report of the Board of Directors for the six- and three-month period ended June 30, 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 stations, convenience stores 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 (hereinafter - “NewMed" or the "Partnership"). As at the approval date of the Condensed Interim Financial Statements, the Partnership operates in the energy segment and engages mainly in the exploration, development production and marketing of natural gas, condensate and oil in Israel, regional markets and Cyprus, and in the promotion of various natural gas-based projects in order to increase the volume of sales of natural gas produced by the Partnership. At the same time, the Partnership is assessing business opportunities for natural gas, condensate, and oil exploration, development, production, and marketing in other countries, as well as advancing 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 Condensed Interim Financial Statements, the Partnership is continuing to advance a possible structural change transaction, by way of approval of an arrangement under Sections 350 and 351 of the Companies Law, 1999 (hereinafter - the “Companies Law”), mainly by exchanging participation units of the Partnership with the shares of a new company incorporated in the UK that will hold all of the rights of the General Partner and the limited partner in the Partnership and whose shares will be listed on the Tel Aviv Stock Exchange and the London Stock Exchange. It should be noted that, as at the approval date of the condensed interim financial statements, the Partnership is holding preliminary negotiations for the possibility of carrying out the Transaction with a company listed on the London Stock Exchange.
- It should be noted that on August 14, 2022, the Partnership signed a memorandum of understanding on the matter entering into the renewable energy domain with Enlight Renewable Energy Ltd., which is subject, among other things, to the approval of the general meeting of the holders of the participation units in the Partnership. For more information, see Note 3C to the consolidated interim financial statements.
- The Leviathan 8 development and production drilling, in the I/14 Leviathan South area, was completed in June 2022, according to schedule and under the planned budget. According to the work plan, the drilling was completed and will be connected to the existing subsea production system of the Leviathan Project in the first quarter of 2023, after completion operations.
- The partners in the Aphrodite Reservoir intend to file, by the end of the year, a revised reservoir development and production plan for approval with the government of Cyprus, such that the development of the reservoir will be combined 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.
- In May 2022, NewMed Energy declared a profit distribution in the amount of USD 50 million, which was distributed in June 2022. The Group's share in this amount is USD 27 million.
- Subsequent to the balance sheet date, on August 17, 2022, NewMed Energy declared a USD 50 million dividend distribution, with the record date for the distribution being August 25, 2022. The profits will be distributed on September 22, 2022. 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 resource report prepared by NSAI, 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. The 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.

- As part of its strategic plan to list its shares on the London Stock Exchange, and to expand and extend its production profile, on June 30, 2022, Ithaca finalized 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 "Siccar Point"). According to the report prepared by NSAI, as at December 31, 2021, Siccar Point has proved + probable reserves (2P) and a quantity of contingent resources in a best estimate (2C) amounting to 256 million BOE. Siccar Point also has substantial tax carry forwards in the amount of USD 3 billion.

- It should be noted that in addition to the producing fields, the Siccar Point 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 between Russia and Ukraine.

  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 consideration paid on acquisition date in respect of Siccar Point's entire share capital, net of the adjustments specified in the acquisition agreement (net of cash accrued by Siccar Point) amounted to a total of USD 926 million, while subsequent to the balance sheet date, and as part of the consideration of the acquisition under the agreement, Ithaca also repaid USD 166 million out of the principal of debentures issued by Siccar Point in the past. In addition, as part of the transaction, contingent consideration was set, which may reach up to USD 360 million under certain conditions.

  The consideration of the acquisition is funded from Ithaca's existing RBL facility and its own sources.

  The Group consolidates the assets and liabilities of Siccar Point 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 said valuation, in the reporting period, the Group recognized a gain from a bargain acquisition in the amount of USD 666 million (NIS 2.3 billion), mainly due to the acquisition of significant carryforward losses, which may be used in a flexible manner by Ithaca and due to Ithaca's relative advantage in the development of Siccar Point's commercial discoveries.

- On June 30, 2022, the transaction with Sumitomo Corporation was completed for Ithaca's acquisition of 100% of the share capital of Summit Exploration and Production Limited (hereinafter - "Summit"). The consideration paid by Ithaca for Summit's share capital, net of adjustments specified in the agreement, amounted to a total of USD 100 million. Summit owns producing gas and oil assets.
- 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 by the end of 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 the second half of 2022. In this context, it is noted that Ithaca is making progress with the relevant authorities and entities abroad, with the preparation of the documents required for the listing and issuance procedures.

Other Operations

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

  The fair value of the loan was estimated as at June 30, 2022 at NIS 164 million, based on the valuation prepared by an external appraiser. In view of the above, in the reporting period, the Company recognized a loss in the amount of NIS 25 million. The loss is included in the income statement, under "Profit (loss) from discontinued operations, net".

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

Issuance of shares and warrants

- In the reporting period, 3,281 options (Series 12) were exercised for 3,281 shares of NIS 1 par value of the Company and 5,541 Options (Series 11) for 5,541 shares of NIS 1 par value.

  As of June 30, 2022, the Company's issued and paid-up share capital totaled 18,296,315 shares of NIS 1 par value, each. Options in circulation: 493,217 Options (Series 11), 256,511 Options (Series 12), 47,266 Options (Series 13), and 82,260 Options (Series 14).

- Subsequent to the balance sheet date until immediately before the approval date of the Financial Statements, the Company exercised 505 Options (Series 12) into 505 shares of NIS 1 par value, 6,080 Options (Series 11) into 6,080 shares of NIS 1 par value and 47,114 Options (Series 13) into 47,114 shares of NIS 1 par value. Furthermore, 152 Options (Series 13) expired. The total consideration received amounts to NIS 15 million.
- After these exercises, the Company's issued and paid-up share capital totaled 18,350,014 shares of NIS 1 par value, each. Options in circulation: 487,137 Options (Series 11), 256,006 Options (Series 12), 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 average maturity.

- Subsequent to the balance sheet date, in July 2022, Midroog upgraded the rating of the debentures issued by the Company from Baa3.il to Baa1.il with a stable outlook.

3. Results of Operations

A) The net profit attributable to the Company's shareholders totaled NIS 5,034 million in the reporting period, as compared to a net profit of NIS 581 million in the same period last year.

The increase in profit in the reporting period compared with the corresponding period last year is due both to the increase in the current profits of the investees in the gas and oil segments in and around Israel and in the North Sea (mainly due to the increase in production quantities as well as the rise in oil and gas prices in 2022 compared to 2021 and the increase in export from the Leviathan project) and a bargain gain of NIS 4.2 billion, which Ithaca recognized in the reporting period due to completion of the Marubeni and Siccar Point transactions, as described above (see also Note 3B to the Consolidated Interim Financial Statements).

The net profit attributable to Company's shareholders in the second quarter of 2022 totaled NIS 2,495 million, as compared to NIS 302 million in the same quarter last year. The quarterly increase in profit is due to improvement of current profits of the investees, as explained above, as well as recognition of a bargain gain of NIS 2.3 billion due to completion of the acquisition of Siccar Point in the current quarter.

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

	Q1 2022	Q2 2022	H1 2022		Q1 2021	Q2 2021	H1 2021		2021
Oil and gas exploration and production in and around Israel 1)	130	215	345		166	159	325		613
Oil and gas exploration and production in the North Sea 2)	615	372	987		141	18	159		836
Contribution of continuing operations before discontinued operations and capital and other gains	**745**	**587**	**1,332**		**307**	**177**	**484**		**1,449**
Other profits, net, in the oil and gas sector 3)	1,901	2,007	3,908		-	212	212		193
Finance, tax, and other income (expenses) 4)	(107)	(99)	(206)		(28)	(87)	(115)		(210)
Net profit attributable to Company shareholders	**2,539**	**2,495**	**5,034**		**279**	**302**	**581**		**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 income (expenses), net, in the gas and oil area.

2) In the reporting period, not including profit from the bargain purchase and depreciation of appraisal and development assets, 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 under other profits, net, in the oil and gas area

3) In the reporting period, inter alia including a gain on the bargain acquisitions of the Marubeni and Siccar Point transactions, net of acquisition costs, in the amount of USD 1,267 million (NIS 4.2 billion) as well as depreciation of oil and gas assets in Israel and the North Sea totaling NIS 178 million. In 2021, a profit was recorded from the reversal of the provision for impairment in the amount of USD 166 million (NIS 536 million), and in the corresponding a gain of USD 61 million (NIS 199 million) was included mainly for GSA, and in 2021, a loss was recorded 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 25 million in loss on changes in the fair value of a seller's loan extended to The Phoenix's acquirers, mainly due to the decrease in the price of The Phoenix's stock (in 2021 - a gain of NIS 86 million; and in the corresponding period - a gain of NIS 90 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.

B) Revenues from operating activities (NIS millions):

The Group's revenues in the reporting period totaled NIS 5,984 million, as compared to NIS 3,654 million in the same period last year, as detailed in the table below (NIS millions):

	1-6/2022	1-6/2021	4-6/2022	4-6/2021		2021
Oil and gas exploration and production in and around Israel	1,529	1,564	845	786		3,231
Oil and gas asset development and production in the North Sea	4,447	2,085	2,066	959		4,736
Other segments including adjustments	8	5	7	(1)		6
Total revenues	**5,984**	**3,654**	**2,918**	**1,744**		**7,973**

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

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

	1-6/2022	1-6/2021	4-6/2022	4-6/2021		2020
Oil and gas exploration and production in and around Israel	1,009	1,007	597	515		1,544
Oil and gas asset development and production in the North Sea	5,982	927	2,987	545		2,939
Other segments including adjustments	22	(11)	26	(8)		147
Total operating profit	**7,013**	**1,923**	**3,610**	**1,052**		**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:

	1-6/2022	1-6/2021	4-6/2022	4-6/2021		2021
Delek Israel	9	4	7	(2)		25
Delek Israel Properties	4	-	3	-		28
EMED	(7)	(8)	(5)	(4)		(15)
Others	2	3	2	1		6
Total	**8**	**(1)**	**7**	**(5)**		**44**

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

	1-6/2022	1-6/2021	4-6/2022	4-6/2021		2021
Revenue	5,984	3,654	2,918	1,744		7,973
Cost of revenues	2,791	1,958	1,318	977		3,664
Gross profit	**3,193**	**1,696**	**1,600**	**767**		**4,309**
General and administrative expenses	84	75	30	39		144
Group's share in earnings (losses) of operating associates, net	8	(1)	7	(5)		44
Other income, net	3,896	303	2,033	329		421
Operating profit	**7,013**	**1,923**	**3,610**	**1,052**		**4,630**
Finance income	141	115	73	39		138
Finance expenses	(856)	(867)	(451)	(415)		(1,933)
Profit before taxes on income	**6,298**	**1,171**	**3,232**	**676**		**2,835**
Income tax	942	343	511	221		1,247
Profit from continuing operations	**5,356**	**828**	**2,721**	**455**		**1,588**
Profit (loss) from discontinued operations, net	**(31)**	**95**	**(48)**	**21**		**84**
Net profit	**5,325**	**923**	**2,673**	**476**		**1,672**
Attributable to -						
Company’s shareholders	5,034	581	2,495	302		1,432
Non-controlling interests	291	342	178	174		240
	5,325	**923**	**2,673**	**476**		**1,672**

F) Movement in comprehensive income (NIS million):

	1-6/2022	1-6/2021	4-6/2022	4-6/2021		2021
Net profit	**5,325**	**923**	**2,673**	**476**		**1,672**
Other comprehensive income (loss) from continuing operations (post-tax):						
Profit from investment in equity instruments measured at fair value through other comprehensive income	-	86	-	14		86
Gain (loss) from cash flow hedges	(1,061)	(614)	180	(389)		(1,426)
Transfer to profit or loss for cash flow hedges	569	77	204	70		472
Adjustments from translation of financial statements of foreign operations (*)	1,243	125	1,085	(223)		(349)
Total other comprehensive income (loss) from continuing operations	**751**	**(326)**	**1,469**	**(528)**		**(1,217)**
Total comprehensive income (loss)	**6,076**	**597**	**4,142**	**(52)**		**455**
Attributable to:						
Company's shareholders	**5,438**	**181**	**3,672**	**(149)**		**351**
Non-controlling interests	**638**	**416**	**470**	**97**		**104**
	6,076	**597**	**4,142**	**(52)**		**455**

(*) The Group has material investments in investee companies and an investee partnership whose functional currency is NIS the USD; thus, changes in currency exchange rates materially affect the Group's other comprehensive income or loss and the equity attributable to Company shareholders. In the reporting period, the USD gained 12.5% against the NIS, as compared to a gain of 1.4% in the same period last year. It is noted that subsequent to the balance sheet date and until shortly before the report approval date, the exchange rate of the USD was down by 6%.

4. Financial Position

The Group's total assets increased in the reporting period by NIS 13 billion (from NIS 31.4 billion as at December 31, 2021, to a total of NIS 44.4 billion as at June 30, 2022). The increase in total assets is mainly due to the consolidation for the first time of the assets of the acquired companies in the reporting period by Ithaca (Marubeni, Siccar Point and Summit) in the total amount of USD 3.6 billion (NIS 12 billion), mainly in the non-current assets' items, as explained below.

Principal changes in assets and liabilities as of June 30, 2022, compared with December 31, 2021:

Cash and cash equivalents and short-term investments

As at June 30, 2022, the Group had cash and short-term investment balances of NIS 1.8 billion, consisting mainly of balances of NIS 0.2 billion in the Company and staff companies, NIS 0.6 billion in Ithaca and NIS 1 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 June 30, 2022, amounted to NIS 3.5 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 0.9 billion, together with an increase in revenues.

As at June 30, 2022, the Group's non-current assets totaled NIS 39.2 billion and total non-current assets as at December 31, 2021, was NIS 27.3 billion, a NIS 11.9 billion increase. The increase in non-current assets is mainly due to the first-time consolidation of the assets of the companies acquired during the reporting period, which resulted in an increase in oil and gas assets in the amount of NIS 6.2 billion and an increase in deferred taxes in the amount of NIS 4.6 billion (for further information about the consolidated assets, see Note 3B to the consolidated interim financial statements). In addition, as a result of the increase in the USD exchange rate against the USD, during the reporting period, there was a NIS 3 billion increase in the non-current assets of the Partnership and the subsidiaries, which are reported in USD.

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 June 30, 2022, amounted to NIS 17.9 billion, as compared to NIS 14.9 billion as of December 31, 2021. The increase is due to an increase in USD-denominated liabilities of subsidiaries and the Partnership of NIS 1.3 billion due to a rise in the USD exchange rate in the reporting period, as well as an increase in Ithaca's total credit (compared to credit as at December 31, 2021) in the amount of USD 600 million (NIS 2.5 billion), mainly as a result of loans to finance the acquisition of Siccar Point.

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 Financing and Liquidity

The net financial debt of the Company and the staff companies as of June 30, 2022:[1]

	NIS millions
Liabilities	
Debentures	3,950
Loan from a subsidiary for securitization of overriding royalties	297
Bank and other loans	287
Other liabilities	175
Total liabilities	**4,709**
Assets	
Cash and deposits	94
Restricted deposits	93
Deposit in the debentures' escrow account	47
Loans (*)	311
Other receivables	64
Treasury shares (**)	267
Investment in a financial asset	4
Total assets	**880**
Financial debt, net	**3,829**

(**) Composition of loans extended as of June 30, 2022:

Borrower	Loan amount (NIS millions)
Loans to Ithaca	115
Seller's loan - The Phoenix transaction	164
Others	32
Total	**311**

(**) As of June 30, 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.

As at June 30, 2022, the Company (separate) has a working capital deficit of NIS 0.6 billion, mainly due to current maturities of debentures issued by the Company. The Group (consolidated) has a working capital deficit of NIS 3.4 billion, mostly due to the fact that a liability for financial derivatives is included under the current liabilities of the Company in a subsidiary (Ithaca).

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).

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

The Company's 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. Disclosure regarding inflation and increase in interest and the possible impact on the Company's business

Following macroeconomic developments worldwide, including the Covid-19 crisis and the war between Russia and Ukraine, inflation rates in Israel, the USA and other countries – including the UK - have risen. As a result, and in order to restrain the rise in prices, the central banks in many countries have increased interest rates and declared their plans for further interest rate increases in the future.

Since the bulk of the Group's operations are in the energy industry - through investee companies and partnerships - 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 the reporting period, and during the second quarter in particular, the Brent oil prices and natural gas prices increased. This price increase is expressed mainly in a growth in revenues from gas and oil sales by Ithaca as well as a growth in revenues from natural gas and condensate exports by NewMed Energy (see Chapter 7 below regarding analysis of operating segments).

On the other hand, the price increase also affected the gas production costs and the equity investments costs of NewMed Energy and Ithaca, but not materially. Furthermore, the price increase, as stated, may also impact the costs of future projects and drillings of the Partnership, NewMed Energy and Ithaca as well as the retirement costs of assets.

Most of the financial debt of the Group and its investee companies and partnerships bear fixed interest and therefore, interest expenses thereof are not affected by the interest rate fluctuations. It is noted that as at June 30, 2022, Ithaca has RBL credit of USD 750 million (NIS 2.6 billion) at variable interest rates based on changes in the LIBOR rate, in respect of which Ithaca is exposed to interest rate fluctuations, although in the reporting period, the increase in the LIBOR rate did not have a material impact on the Financial Statements.

If, in the future, the Company or any of its investee companies will need to raise additional debt, this may affect the Group's finance expenses.

The interest rate increase may affect the value in use of the Group's gas and oil assets and its goodwill. It is noted that, according to a review made by the Company, the increase in interest rate during the reporting period did not lead to an impairment of the oil and gas assets.

The impact of the interest rate increases on the Group's financial position and results of its operations is evident mainly in assets and liabilities in the balance sheet that contain discounting components, including liabilities for disposal of assets, contingent consideration declared in business combinations and financial assets measured at fair value using the discounted cash flow method. Regarding sensitivity analyses of the interest rate changes on the value of financial assets, see Note 19A(6) to the annual financial statements.

It is noted that the provisions of this section regarding the potential effects of inflation and interest rates on the Company and its investee companies and partnerships is forward-looking information, as defined in Section 32A of the Israeli Securities Law, 1968 based, inter alia, on the Company's assessments and information in its possession as at the publication date of this report. Therefore, there is no certainty that the above will materialize, or realized in a manner similar to that described above, and the results may be materially different to the results estimated or implied by such information, inter alia, as a result of additional economic and other developments that may affect the operations of the Company and its investee companies and partnerships and various factors beyond their control.

7. Analysis of Operations by Operating Segment

A) Oil and gas 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):

	1-6/2022	1-6/2021	4-6/2022	4-6/2021		2020
Revenues from gas sales, net of royalties	**1,529**	**1,564**	**845**	**786**		**3,231**
Operating profit (adjusted for impairment and losses on disposal of oil and gas assets (100%)	**1,045**	**1,014**	**597**	**515**		**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	**1,254**	**1,263**	**696**	**658**		**2,659**
Finance expenses, net	(141)	(269)	(79)	(138)		(598)
Net profit attributable to Group shareholders	**366**	**340**	**225**	**174**		**362**
Gas sales from Tamar, in BCM (*)(**)	-	3.4	-	1.7		7.8
Gas sales from the Leviathan Project, in BCM (*)	5.5	5.5	2.8	2.8		10.7
Total Gas sales in BCM (*)	**5.5**	**8.9**	**2.8**	**4.5**		**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. 1-6 - (BCM)			
	Israel	Jordan	Egypt	Total
Q1	0.9	0.7	1.1	2.7
Q2	0.8	0.6	1.4	2.8
Total	1.7	1.3	2.5	5.5

	2022. 1-6 - (BCM)			
	Israel	Jordan	Egypt	Total
Q1	1.2	0.7	0.8	2.7
Q2	1.4	0.6	0.8	2.8
Total	2.6	1.3	1.6	5.5

	2022. 1-6 - (BCM)			
	Israel	Jordan	Egypt	Total
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 profit of NIS 366 million, as compared to a net profit of NIS 340 million in the same period last year. The increase in profit in the reporting period compared with the corresponding period last year was mainly due to the increase in revenues from the Leviathan project, which on the other hand was partially offset from depreciation of the Ofek Hadash project in the amount of NIS 20 million.

Revenues from gas and oil sales, net of royalties

In the reporting period, revenues from gas and oil sales, net of royalties, totaled NIS 1,529 million, compared with NIS 1,564 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 a 23% 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 domestic market.

In the second quarter of 2022, revenues from gas and oil sales net of royalties amounted to NIS 845 million, compared to NIS 786 million in the same quarter last year. The increase is due to the rise in the prices of exported gas.

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

Operating profit in the reporting period amounted to NIS 1,045 million, compared to NIS 1,014 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 48 million; for further information see Note 4E to the consolidated interim financial statements. It is also noted that the cost of gas production has increased by 29% mainly because of the increase in transport and shipping expenses and the cost of gas transmission to Egypt, due, among other things, to the increase in the quantity of gas sold to Egypt.

In the second quarter of 2022, the operating profit amounted to NIS 597 million compared to NIS 515 million in the same quarter last year. The increase is due mainly to an increase in revenues from the Leviathan project in the second quarter of 2022 compared to the same quarter last year.

Finance expenses, net

In the reporting period, net finance expenses totaled NIS 141 million, as compared to net finance expenses of NIS 269 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 100 million, compared with revaluation of NIS 65 million in the corresponding period last year.

In the second quarter of 2022, net finance expenses amounted to NIS 79 million, compared with NIS 138 million in the corresponding quarter last year. Finance expenses were down, mainly due to the aforesaid reasons.

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

	1-6/2022	1-6/2021	4-6/2022	4-6/2021		2020
Net profit from NewMed Energy's financial statements	**683**	**804**	**411**	**403**		**1,317**
Indirect holdings (%)	54.7%	54.7%	54.7%	54.7%		54.7%
Group's share	**373**	**440**	**223**	**221**		**720**
Adjustment of the Group's share in respect of deferred taxes recorded the Partnership	-	-	-	-		266
Income tax	5	(66)	3	(33)		(50)
Revenues from overriding royalties	23	19	13	10		43
Results of direct holdings in Yam Tethys (4.44%)	(1)	-	-	-		(9)
Amortization of excess costs *)	(18)	(18)	(9)	(9)		(35)
Adjustments for the sale of Tamar**)	-	-	-	-		(524)
General and administrative expenses	(17)	(17)	(8)	(10)		(30)
Finance income (expenses), net	1	(11)	3	(5)		(19)
Other income (expenses)	-	(7)	-	-		-
Contribution to net profit from oil and gas exploration and production operations	**366**	**340**	**225**	**174**		**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)	June 30, 2022	December 31, 2021
Cash and cash equivalents	160	45
Other current assets	628	411
Investments in oil and gas exploration and production	4,140	2,785
Other assets, net (mainly deferred taxes)	1,711	580
Goodwill	829	767
Total assets	**7,468**	**4,588**
Short-term liability for derivatives	599	419
Current liabilities (trade and other payables)	676	579
Bank loans, RBL, and debentures	1,762	955
Loan from the Delek Group	34	32
Other long-term liabilities (mainly in respect of an asset retirement obligation)	2,099	1,612
Equity attributable to Ithaca's shareholders	**2,298**	**991**
Total liabilities and equity	**7,468**	**4,588**

It should be noted that in the reporting period, Ithaca completed several transactions to acquire subsidiaries in the gas and oil sector, 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 to the consolidated interim financial statements. In addition, during the reporting period, there was an increase in Ithaca's credit, mostly as a result of utilizing loans to acquire the Siccar Point investment.

Income statement

(USD millions)	1-6/2022	1-6/2021	4-6/2022	4-6/2021		2021
Revenues from oil and gas sales	1,363	639	618	294		1,470
Cost of sales (excluding depreciation expenses and inventory movements)	(269)	(206)	(129)	(103)		(429)
Depreciation expenses	(269)	(193)	(145)	(88)		(404)
Change in oil and gas inventory	(185)	(48)	(55)	(33)		6
Gross profit	**640**	**192**	**289**	**70**		**643**
Gain from a bargain purchase	1,267	-	666	-		-
Reversal of impairment (impairment) of gas and oil assets and goodwill	(85)	102	(85)	102		277
Other expenses, net	(20)	(1)	(4)	(4)		(4)
Finance expenses, net	(114)	(97)	(67)	(43)		(240)
Profit before tax	**1,688**	**196**	**799**	**125**		**676**
Tax expenses	(222)	(87)	(118)	(59)		(276)
Net profit (loss) attributable to Ithaca's shareholders	**1,466**	**109**	**681**	**66**		**400**
Output in the reporting period (KBoe)	**12,070**	**10,215**	**5,723**	**4,365**		**21,395**
Average daily output (KBoed)	**67**	**56**	**64**	**48**		**56**

EBITDAX and adjustment to net profit

(USD millions)	1-6/2022	1-6/2021	4-6/2022	4-6/2021		2021
Revenues, net *)	**1,142**	**564**	**541**	**243**		**1,418**
Operating expenses	(232)	(180)	(112)	(86)		(371)
General, administrative, exchange rate differntials, and other expenses	(6)	(6)	1	-		(11)
EBITDAX	**904**	**378**	**430**	**157**		**1,036**
Non-recurring costs, in cash	(10)	-	(4)	-		-
Depreciation and amortization	(269)	(193)	(145)	(88)		(404)
Gain from a bargain purchase	1,267	-	666	-		-
Reversal of impairment (impairment) of gas and oil assets and goodwill	(85)	102	(85)	102		277
Other non-cash income (expenses)	(17)	-	(8)	-		2
Net finance costs, excluding results of hedges	(102)	(91)	(55)	(46)		(235)
Tax expenses	(222)	(87)	(118)	(59)		(276)
Net profit attributable to Ithaca's shareholders	**1,466**	**109**	**681**	**66**		**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 1,363 million, as compared to revenues of USD 639 million in the same period last year; the revenue composition was as follows:

Sale revenues (USD millions)	1-6/2022	1-6/2021	4-6/2022	4-6/2021		2021
Oil	**973**	**471**	**475**	**248**		**856**
Natural gas	605	146	199	59		725
NGL (natural gas liquids)	35	21	20	7		52
Other income	**20**	**14**	**8**	**7**		**33**
Loss on hedges	(270)	(13)	(84)	(27)		(196)
Total	**1,363**	**639**	**618**	**294**		**1,470**

Output in the reporting period totaled 12.1 mmbbl (67 mbbl/day, on average), as compared to 10.2 mmbbl (56 mbbl/day, on average) in the same period last year. The increase in output is due, among other things, to the output of the assets of Marubeni, the acquisition of which was completed in February 2022, that also contributed to an increase in average daily output of 6 thousand barrels. In addition, in the first quarter of 2022, production from the Jade South reservoir began, which also contributed to the increase in output compared to the same period last year.

Gas and oil prices were up sharply in the reporting period compared to their 2021 prices. Average selling prices for oil went up to USD 107 per barrel in the reporting period, from USD 65 per barrel in the same period last year; in the corresponding period last year, gas selling prices went up to 183 pennies/therm, from 53 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 270 million, as compared to a decrease of USD 13 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 269 million, as compared to USD 206 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 18 per barrel in the corresponding period last year.

Depreciation and amortization in the reporting period amounted to USD 269 million, compared with USD 193 million in the corresponding period last year, and depreciation per barrel increased in the reporting period to USD 22 per barrel, compared with USD 20 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 June 30, 2022, Ithaca had open hedging transactions on oil prices amounting to 12.3 mmbbl, of which swap and put transactions amounted to 6 mmbbl at an average hedged price of 61 USD/barrel, and the remainder - in collar transactions at a minimum hedged price of 66 USD per barrel and a maximum hedged price of 89 USD/barrel. In addition, as of June 30, 2022, Ithaca had open hedging transactions on gas prices amounting to 298 MMBtu, of which swap and put transactions amounted to 220 MMBtu at an average hedged price of 128 pennies/therm, and the remainder - in collar transactions at a minimum hedged price of 114 pennies/therm and a maximum hedged price of 204 USD/barrel. The value of these hedges as of June 30, 2022 reflects a liability of USD 786 million (NIS 2,751 million). It should be noted that, as of June 30, 2022, Ithaca hedged approximately 50% of its expected output in the next 12 months.

Gain from a bargain purchase

As aforesaid, in the reporting period, Ithaca completed the acquisitions of the entire share capital of Marubeni and Siccar Point. Under the acquisition, in the reporting period, the Group recognized a gain from a bargain purchase in the amount of USD 1,267 million (NIS 4.2 billion), of which USD 666 million (NIS 2.3 billion) was recognized in the second quarter of 2022. The gain from the bargain purchase is due to the acquisition of carryforward losses, most of which could not be utilized by the sellers, Ithaca's relative advantage in developing gas and oil commercial discoveries in the North Sea, and in respect of the Marubeni transaction, as a result of the increase in gas and oil prices between the date of setting the terms of the transaction and the date of completion thereof.

It is noted that the valuations of the companies' acquired assets and liabilities are provisional and, in accordance with GAAP, will be completed within a period of up to one year from the completion date of the transaction. For further information, see Note 3B to the consolidated interim financial statements and Appendix D to the Report of the Board of Directors.

Finance expenses, net

In the reporting period, net finance expenses totaled USD 114 million, as compared to USD 97 million in the same period last year. The increase in net finance expenses is due to revaluation losses in the reporting period of derivative financial instruments that are not accounted for as an accounting hedge.

Taxes on income

Subsequent to the balance sheet date, in July 2022, legislation according to which gas and oil companies operating in the North Sea will be charged an additional levy at the rate of 25% of their profits was finalized (in addition to the existing tax of 40%) for a limited period starting on May 26, 2022 and ending on December 31, 2025. Against the new levy, companies will be permitted to deduct 80% of their permitted investments in development of oil and gas assets (excluding retirement and finance costs) in the levy period, with the aim of providing the companies with an incentive to continue investing in the development of gas and oil reserves in the North Sea. Carryforward losses may not be offset against the levy. Accordingly, in the third quarter, the Group will update the deferred tax balances expected to be utilized in the levy period, to reflect the new tax rate. According to Ithaca estimates, based on figures as at June 30, 2022, the impact of the said tax rate update is a decrease in the net deferred tax asset (the balance of which as at June 30 is USD 1.5 billion) of USD 150 million. This decrease is expressed in a decrease in deferred tax in respect of oil and gas assets in the amount of USD 359 million and an increase in deferred tax in the amount of USD 169 million in respect of hedges.

For more information on oil and gas exploration and production operations in the North Sea, see Notes 3B and 4H 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 13 million. In addition, Delek Israel announced a dividend distribution of NIS 50 million, with the Group's share in the dividend amounting to NIS 12.5 million. The dividend was received by the Company in May 2022.

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 *)
Jun. 30, 2022	3.50	4.235	105.70
Jun. 30, 2021	3.260	4.518	101.49
Dec. 31, 2021	3.11	4.203	102.49
Rate of change during the period	**%**	**%**	**%**
1-6/2022	12.5	0.8	3.1
1-6/2021	1.4	2.9	1.4
Q2 2022	10.2	1.60	1.94
Q2 2021	(2.2)	(1.5)	1.3
2021	(3.27)	(4.30)	2.40

*) Base index - 2014 average.

C. Disclosure relating to the Corporation's financial reporting

1. Critical accounting estimates

As for an accounting estimate for the acquisition of subsidiaries and allocation of the acquisition cost to their 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 Report of the Board of Directors.

D. Dedicated disclosure for debenture holders

1. Information on debentures issued by the Company as of June 30, 2022:

Series	Issue date (including expansions)	Par value Original	Par value balance as of June 30, 2022	Nominal interest rate	Linkage	Carrying amount Jun. 30, 2022	Interest accrued in the books as of June 30, 2022	Repayment dates (principal/ interest)	Stock exchange value as of June 30, 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, 021 – 5.3%	Non-linked	1,375	26	Interest payments on August 20 and February 20 and principal payments on February 20 in each of the years 2020-2025	1,412	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	-	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	1,277	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	-	Interest payments on June 30 and December 31 and principal payments on December 31 in each of the years 2023-2027	894	Mishmeret Trust Company Ltd., 48 Menahem Begin St., Tel Aviv, Tel: 03-6374335/4, Rami Katzav, CPA, Adv..
B36	10/2021 12/2021	429	429	6.2%	Non-linked	429	4	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	439	Reznick Paz Nevo Trustee Company Ltd., 14 Yad Harutzim St., Tel Aviv. Tel: 03-6389200, Michal Avtalion-Rishoni, Adv.

*) On July 12, 2022, Midroog Ltd. rating agency announced that it is upgrading the rating of Debentures (Series B31 and Series B34) issued by the Company, from Baa3.il to Baa1.il with stable outlook. For more information, see the Company's immediate report dated July 12, 2022 (Ref. No. 2022-01-087916), the details of which are included herein by way of reference.

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 June 30, 2022, the Company's shareholders' equity stands at NIS 8,039 million.

   - Until the publication date of the first quarter financial statements in 2021, the grounds for immediate repayment specified in the deeds of trust concerning the equity to asset ratio - shall not apply. For statements from the second quarter of 2021 and until the annual financial statements for 2023, requirements have been specified for the equity to asset ratio. Should the Company fail to meet these requirements for two consecutive quarters, the holders will have grounds for immediate repayment. From the statements for the first quarter of 2024, the debenture holders will have grounds to call for immediate repayment should the equity to asset ratio according to the Company's separate statements fall below 20% for two consecutive quarters. As of June 30, 2022, the said ratio stands at 60.9%.

     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 average maturity.

2. In June to November 2021, the Company issued a new series of Debentures (Series B35) totaling NIS 837 million. The deed of trust for debentures (Series B35) includes the following Company obligations:

a) So long as debentures (Series B35) have not been repaid in full, the Company will not create any floating charges on all its assets and all its rights, existing or future, towards any third party, to secure any debt or obligation unless it implement one of the following options: 1) Receiving prior consent from the holders of debentures (Series B35); 2) simultaneous to creating the floating charge to such third party, the Company will create a floating charge to the holders of debentures (Series B35) of equal rank pari passu as per the ratio between the Company's debts to such third party and to the debenture holders; 3) providing the holders of debentures (Series B35) with an automatic bank guarantee; and all under such terms as specified in the deed of trust. As of June 30, 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 of June 30, 2022, the capital attributable to the Company's shareholders amounted to NIS 8,039 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 June 30, 2022, this ratio amounts to 60.9%.
- 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 of June 30, 2022, the capital attributable to the Company's shareholders amounted to NIS 8,039 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 June 30, 2022, this ratio amounts to 60.9%.

   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

Signature date: August 23, 2022

Appendix A to the Report of the Board of Directors

Breakdown of outstanding principal and interest payments on the Company and the staff companies' debentures and bank and other loans as of June 30, 2022 (NIS millions):

		1/7/2022-31/12/2022	2023	2024	2025	2026	2027 onward	Total
Debentures	**Principal**	-	770	834	834	379	1,101	3,918
	Interest	115	218	172	125	89	86	805
Loans from banks and others (*)	**Principal**	-	-	107	-	-	-	107
	Interest	5	8	-	-	-	-	13
Total		**120**	**996**	**1,113**	**959**	**468**	**1,187**	**4,843**

(*) 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)

	June 30 2022	June 30 2021	December 31 2021
	Unaudited		Audited
Current assets			
Cash and cash equivalents	466	187	205
Short-term investments	5,222	1,958	3,907
Royalties and other receivables	2,263	1,322	1,527
Total current assets	7,951	3,467	5,639
Non-current assets			
Long-term investments	11,407	16,925	14,110
Loan to controlling shareholder	84,990	79,317	81,752
Assets in respect of ORRI	189,352	194,833	192,147
Deferred Taxes	1,665	932	1,333
Total non-current assets	287,414	292,007	289,342
	295,365	295,474	294,981
Current liabilities			
Other payables	1,331	1,293	1,615
Total current liabilities	1,331	1,293	1,615
Non-current liabilities			
Debentures	174,149	170,699	172,392
Total non-current assets	174,149	170,699	172,392
Equity			
Share capital	295	295	295
Share premium	127,275	127,275	127,275
Retained earnings	(7,685)	(4,088)	(6,596)
Total equity	119,885	123,482	120,974
	295,365	295,474	294,981

Condensed Statements of Comprehensive Income (Dollars in thousand)

	Six-month period ended June 30,		Three-month period ended June 30,		Year ended December 31,
	2022	2021	2022	2021	2021
	Unaudited		Unaudited		Audited
Revenue from overriding royalties	6,964	5,742	3,784	2,904	11,361
General and administrative expenses	408	424	204	224	910
Depletion	2,795	2,872	1,417	1,424	5,557
Operating profit	3,761	2,446	2,163	1,256	4,894
Finance expenses	(8,694)	(8,395)	(4,443)	(4,188)	(16,855)
Finance income	3,287	3,043	1,661	1,531	6,144
Loss before income tax	(1,646)	(2,906)	(619)	(1,401)	(5,817)
Tax benefit (Income tax)	557	70	399	(159)	473
Loss and total comprehensive loss	(1,089)	(2,836)	(220)	(1,560)	(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 Loss	-	-	(1,089)	(1,089)
Balance as at June 30, 2022	295	127,275	(7,685)	119,885

	Share capital	Share premium	Retained earnings	Total
	Unaudited			
Balance as at January 1, 2021 (Audited)	295	127,275	(1,252)	126,318
Total comprehensive Loss	-	-	(2,836)	(2,836)
Balance as at June 30, 2021	295	127,275	(4,088)	123,482

	Share capital	Share premium	Retained earnings	Total
	Unaudited			
Balance as at April 1, 2022	295	127,275	(7,465)	120,105
Total comprehensive Loss	-	-	(220)	(220)
Balance as at June 30, 2022	295	127,275	(7,685)	119,885

Condensed Statements of Changes in Equity (Dollars in thousand)

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

	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)

	Six-month period ended June 30,		Three-month period ended June 30,		For the year ended
	2022	2021	2022	2021	2021
	Unaudited		Unaudited		Audited
Cash Flows - Current Operations:					
Loss for the year	(1,089)	(2,836)	(220)	(1,560)	(5,344)
Adjustments for:					
Depletion and depreciation	4,553	4,482	2,301	2,226	8,861
Deferred Taxes	(332)	(44)	(204)	154	(445)
Increase in Long-term investments	3	(12)	23	(4)	(37)
Changes in assets and liabilities items:					
Decrease (increase) in trade and other receivables	(806)	6	(328)	111	(199)
Increase in loan to controlling shareholder	(3,238)	(3,024)	(1,629)	(1,520)	(6,089)
Increase (decrease) in trade and other payables	(215)	416	(3,298)	(3,150)	738
Net cash deriving used for current operations	(1,124)	(1,012)	(3,355)	(3,743)	(2,515)
Cash Flows - Investment Activity:					
Repayment of loans to controlling shareholders	-	41	-	-	671
Long-term deposit in bank deposits	2,700	2,700	2,700	2,700	5,540
Short-term deposit in bank deposits	(1,315)	(1,632)	747	1,141	(3,581)
Net cash deriving from (used for) investment activity	1,385	1,109	3,447	3,841	2,630
Cash Flows - Financing Activity:					
Bond offering (net of issue costs)	-	87	-	87	87
Net cash deriving from financing activity	-	87	-	87	87
Increase in cash and cash equivalents	261	184	92	185	202
Cash and cash equivalents balance at the beginning of the period	205	3	374	2	3
Cash and cash equivalents balance at the end of the period	466	187	466	187	205
Annex A - Additional Information on Cash Flows:					
Interest paid	6,745	6,745	6,745	6,745	13,489
Taxes paid	625	-	358	-	-

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 of June 30		As of December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
Current assets			
Cash and cash equivalents	67	50	57
Trade receivables	1,388	1,017	1,029
Other receivables	115	100	54
Related parties	9	407	-
Taxes receivable	15	19	5
Inventory	123	102	147
	1,717	1,695	1,292
Non-current assets			
Long-term loans, deposits and other debit balances	35	35	34
Right-of-use assets	1,333	1,249	1,274
Investments in and loans to associates	15	4	4
Investment property	22	21	22
Property, plant and equipment, net	441	387	417
Goodwill	15	16	15
Other intangible assets, net	5	7	6
Deferred taxes	21	26	33
	1,887	1,745	1,805
	3,604	3,440	3,097

	As of June 30		As of December 31
	2022	2021	2021
	Unaudited		Audited
	In NIS million		
Current liabilities			
Bank borrowings	394	569	226
Trade payables	729	376	423
Taxes payable	3	5	6
Current maturities for lease	170	132	151
Other payables	382	430	383
	1,678	1,512	1,189
Non-current liabilities			
Lease liability	1,207	1,135	1,150
Loans from banks	145	101	178
Decrease in liabilities for employee benefits, net	7	8	7
Provisions and other liabilities	15	22	15
Deferred taxes	2	2	2
	1,376	1,268	1,352
Equity attributable to the Company's shareholders			
Share capital	216	216	216
Share premium	216	366	216
Retained earnings	68	37	83
Other capital reserves	49	40	40
	549	659	555
Non-controlling interests	1	1	1
Total equity	550	660	556
	3,604	3,440	3,097

Delek The Israel Fuel Corporation Ltd.

Consolidated Statements of Income

	For the 6 months ended June 30		For the 3 months ended June 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	In NIS million				
Sales revenues	2,966	1,665	1,780	943	3,821
Cost of sales	2,571	1,305	1,565	742	3,084
Gross profit	395	360	215	201	737
Selling and operating expenses for gas stations	268	238	139	132	488
General and administrative expenses	36	37	19	17	70
Company's share in the earnings of associates, net	-	1	-	-	1
Other expenses, net	4	-	4	-	1
Operating profit	87	86	53	52	179
Finance income	14	1	14	-	6
Finance expenses	53	30	28	16	60
Profit before taxes on income	48	57	39	36	125
Income tax	13	14	10	9	31
Net profit	35	43	29	27	94
Attributable to:					
Company’s shareholders	35	43	29	27	94
Non-controlling interests	-	-	-	-	-
	35	43	29	27	94

	For the 6 months ended June 30		For the 3 months ended June 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Unaudited		Unaudited		Audited
	In NIS million				
Net profit	35	43	29	27	94
Other comprehensive income (loss) (net of tax effect):					
Amounts classified or reclassified to profit or loss:					
Gain (loss) from cash flow hedges	9	-	14	(1)	-
Total comprehensive income	44	43	43	26	94
Attributable to:					
Company's shareholders	44	43	43	26	94
Non-controlling interests	-	-	-	-	-
	44	43	43	26	94

Delek Israel Properties (D.P.) Ltd.

Consolidated Statements of Financial Position

	As at June 30 2022	As at June 30 2021	As of December 31 2021
	NIS thousands	NIS thousands	NIS thousands
	Unaudited	Unaudited	
Assets			
Current assets:			
Cash	27,338	2,656	17,983
Pledged deposit	-	227	253
Short-term financial assets	-	-	74
Trade receivables	1,136	558	771
Other receivables	1,352	1,403	9,891
Related parties	573	15,915	9,603
Total current assets	**30,399**	**20,759**	**38,575**
Non-current assets:			
Investment property	1,070,490	785,016	948,645
Property, plant and equipment	1,006	183	565
Land inventory	140,574	49,123	80,933
Equity-accounted investments	111,931	118,225	129,454
Other long-term receivables	770	-	1,266
Total non-current assets	**1,324,771**	**952,547**	**1,160,863**
Total assets	**1,355,170**	**973,306**	**1,199,438**
Liabilities and equity			
Current liabilities:			
Bank borrowings	323,721		438,466
Accounts payable	281	4,284	278
Other payables	8,010	23,023	18,422
Liability for levies and fees	7,100	7,100	7,100
Related parties	7,481	413,116	7,241
Total current liabilities	**346,593**	**447,523**	**471,507**
Non-current liabilities:			
Liabilities to banking corporations	328,100	-	59,536
Deferred credit for transaction with a company under common control	40,194	49,150	44,165
Other long-term payables	382	764	573
Deferred taxes	27,501	-	26,481
Total non-current liabilities	**396,177**	**49,914**	**130,755**
Total liabilities	**742,770**	**497,437**	**602,262**
Equity:			
Equity attributable to shareholders of the Company	611,085	475,869	597,176
Non-controlling interests	1,315	-	-
Total equity	**612,400**	**475,869**	**597,176**
Total liabilities and equity	**1,355,170**	**973,306**	**1,199,438**

Delek Israel Properties (D.P.) Ltd.

Consolidated Statements of Income

	For the six months ended June 30	For the three months ended June 30		For the period from April 1, 2021 to December 31
	2022	2022	2021	2021
	Unaudited	Unaudited		
		NIS thousands		
Rental income	24,875	12,635	10,648	32,841
Assets operating expenses	(535)	(347)	(320)	(624)
Gross profit	24,340	12,288	10,328	32,217
Appreciation (impairment) of investment property	(4,780)	1,215	(2,152)	126,945
General and administrative expenses	(5,776)	(3,050)	(1,439)	(7,100)
Other income (expenses)	369	396	(1,105)	(1,168)
Group's share in profits of equity-accounted companies	5,372	4,355	1,399	17,147
Operating profit	19,525	15,204	7,031	168,041
Finance expenses	(5,943)	(3,400)	(1,626)	(11,397)
Finance income	1,696	1,141	388	1,335
Finance expenses, net	(4,247)	(2,259)	(1,238)	(10,062)
Profit before taxes on income	15,278	12,945	5,793	157,979
Taxes on income	(1,330)	(1,742)	(103)	(30,982)
Net and comprehensive income	**13,948**	**11,203**	**5,690**	**126,997**
Total net and comprehensive income for the period attributable to:				
Company's shareholders	13,909	11,164	5,690	126,997
Non-controlling interests	39	39	-	-
	13,948	**11,203**	**5,690**	**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(1) to the consolidated interim financial statements.
The appraiser and its characteristics:	The valuation was performed by Kroll, a global consulting firm with more than 3,500 employees in 28 countries. The firm, which was founded in 1932, provides consulting services to a considerable number of customers, including about 50% of the S&P 500 companies. The firm provides a range of consulting services, including valuations, tax services, and M&A advisory services. The firm's valuations team comprises more than 1,200 professional staff and experts in financial consulting, including PPAs, impairment testing for goodwill and intangible assets, and valuation analysis. 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.

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

Authentication of the valuation subject:	Attribution of acquisition cost to Siccar Point's assets and liabilities (provisional valuation)
Preparation date:	June 30, 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(2) to the consolidated interim financial statements.
The appraiser and its characteristics:	The valuation was performed by Kroll, a global consulting firm with more than 3,500 employees in 28 countries. The firm, which was founded in 1932, provides consulting services to a considerable number of customers, including about 50% of the S&P 500 companies. The firm provides a range of consulting services, including valuations, tax services, and M&A advisory services. The firm's valuations team comprises more than 1,200 professional staff and experts in financial consulting, including PPAs, impairment testing for goodwill and intangible assets, and valuation analysis. 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. In the valuation, the appraiser applied the discounted cash flow method, accounting for a post-tax discount rate of 10.4% for the assets and 3.5% for the liabilities, as well as projected Brent oil prices of USD 103/bbl in 2022, USD 95/bbl in 2023, USD 85/bbl in 2024, and reaching a price of USD 79/bbl in 2026; projected gas prices of 264 pennies/therm in 2022, 188 pennies/therm in 2023, 121 pennies/therm in 2024, and reaching 78 pennies/therm in 2026.

Chapter C

Financial Statements

Delek Group Ltd.

Consolidated Interim Financial Statements as at June 30, 2022

Unaudited

Contents

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Consolidated Balance Sheets

	As at June 30		As at December 31
	2022	2021	2021
	Unaudited		Audited
	NIS millions		
Current assets			
Cash and cash equivalents	948	883	1,147
Short-term investments	803	1,198	596
Trade receivables	2,021	1,025	1,170
Other receivables	820	167	327
Current tax assets	14	33	25
Financial derivatives	146	16	15
Inventory	467	407	552
	5,219	3,729	3,832
Assets held for sale	-	3,927	224
	5,219	7,656	4,056
Non-current assets			
Long-term loans, deposits, and receivables	2,661	3,311	3,110
Other financial assets	-	11	-
Investments in associates	493	523	472
Investment property	356	196	327
Right-of-use assets	56	24	12
Financial derivatives	11	6	-
Investments in exploration and production of oil and gas assets, net	26,775	19,764	19,660
Property, plant and equipment, net	132	75	130
Goodwill	3,264	2,838	2,707
Deferred taxes	5,427	1,361	927
	39,175	28,109	27,345
	44,394	35,765	31,401

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

Consolidated Balance Sheets

	As at June 30		As at December 31
	2022	2021	2021
	Unaudited		Audited
	NIS millions		
Current liabilities			
Debentures including current maturities of debentures	2,837	8,799	350
Trade payables	1,146	707	702
Other payables	2,051	1,184	1,824
Current maturities of lease liabilities	74	12	10
Current tax liabilities	214	96	652
Financial derivatives	2,365	707	1,305
	8,687	11,505	4,843
Liabilities attributable to assets held for sale	-	150	74
	8,687	11,655	4,917
Non-current liabilities			
Loans from banks and others	2,717	1,740	1,151
Debentures	12,235	9,397	13,199
Convertible liabilities	174	162	154
Lease liability	-	8	-
Financial derivatives	592	244	124
Provisions and other liabilities	7,074	5,212	5,343
Deferred taxes	1,723	1,445	1,325
	24,515	18,208	21,296
Equity			
Share capital	19	19	19
Share premium	2,535	2,396	2,534
Proceeds for conversion options and warrants	18	30	18
Retained earnings	8,083	2,170	3,049
Adjustments from translation of financial statements of foreign operations	(229)	(861)	(1,125)
Capital reserve from transactions with non-controlling interests	(688)	(680)	(684)
Other reserves	(1,385)	(448)	(893)
Treasury shares	(314)	(314)	(314)
Total equity attributable to shareholders of the Company	8,039	2,312	2,604
Non-controlling interests	3,153	3,590	2,584
Total equity	11,192	5,902	5,188
	44,394	35,765	31,401

August 23, 2022			
Approval date of the financial statements	Ehud Erez Chairman of the Board of Directors	Idan Wallace Chief Executive Officer	Tamir Polikar Deputy CEO and CFO

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

Consolidated Statements of Income

	For the 6 months ended June 30		For the 3 months ended June 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	NIS millions (Other net earnings (loss) per share)				
Revenue	5,984	3,654	2,918	1,744	7,973
Cost of revenues	2,791	1,958	1,318	977	3,664
Gross profit	3,193	1,696	1,600	767	4,309
General and administrative expenses	84	75	30	39	144
Group share in profits (losses) of operating associates, net	8	(1)	7	(5)	44
Other revenues, net	3,896	303	2,033	329	421
Operating profit	7,013	1,923	3,610	1,052	4,630
Finance income	141	115	73	39	138
Finance expenses	(856)	(867)	(451)	(415)	(1,933)
Profit before taxes on income	6,298	1,171	3,232	676	2,835
Income tax (tax benefit)	942	343	511	221	1,247
Profit from continuing operations	5,356	828	2,721	455	1,588
Profit (loss) from discontinued operations, net	(31)	95	(48)	21	84
Net profit	5,325	923	2,673	476	1,672
Attributable to:					
Shareholders of the Company	5,034	581	2,495	302	1,432
Non-controlling interests	291	342	178	174	240
	5,325	923	2,673	476	1,672
Net earnings (loss) per share attributable to shareholders of the Company (NIS)					
Basic earnings from continuing operations	286.1	28.4	143.6	16.6	78.5
Basic earnings (loss) from discontinued operations	(1.8)	5.5	(2.7)	1.2	4.9
Basic earnings	284.3	33.9	140.9	17.8	83.4
Basic earnings from continuing operations	272.6	27.2	136.8	15.9	75.1
Diluted earnings (loss) from discontinued operations	(1.8)	5.3	(2.7)	1.2	4.7
Diluted earnings	270.8	32.5	134.1	17.1	79.8

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

Consolidated Statements of Comprehensive Income

	For the 6 months ended June 30		For the 3 months ended June 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	NIS millions				
Net profit	5,325	923	2,673	476	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	-	86	-	14	86
Total	-	86	-	14	86
Amounts classified or reclassified to profit or loss under specific conditions:					
Gain (loss) from cash flow hedges	(1,061)	(614)	180	(389)	(1,426)
Transfer to profit or loss for cash flow hedges	569	77	204	70	472
Adjustments from translation of financial statements of foreign operations	1,243	125	1,085	(223)	(349)
Total	751	(412)	1,469	(542)	(1,303)
Total other comprehensive income (loss)	751	(326)	1,469	(528)	(1,217)
Total comprehensive income (loss)	6,076	597	4,142	(52)	455
Attributable to:					
Shareholders of the Company	5,438	181	3,672	(149)	351
Non-controlling interests	638	416	470	97	104
	6,076	597	4,142	(52)	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										
	Share capital	Share premium	Proceeds for conversion options and warrants	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 of January 1, 2022 (audited)	19	2,534	18	3,049	(1,125)	(684)	(893)	(314)	2,604	2,584	5,188
Net profit	-	-	-	5,034	-	-	-	-	5,034	291	5,325
Other comprehensive income (loss)	-	-	-	-	896	-	(492)	-	404	347	751
Total comprehensive income (loss)	-	-	-	5,034	896	-	(492)	-	5,438	638 **)	6,076
Exercise of options for shares	-	1	-	-	-	-	-	-	1	-	1
Transactions with non-controlling interests	-	-	-	-	-	(4)	-	-	(4)	4	-
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(73)	(73)
Balance as of June 30, 2022	19	2,535	18	8,083	(229)	(688)	(1,385)	(314)	8,039	3,153	11,192

*) Mainly capital reserve for cash flow hedges.

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

Net profit attributable to non-controlling interests	291
Adjustments from translation of financial statements of foreign operations	347
Total comprehensive income attributable to non-controlling interests	638

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

Consolidated Statements of Changes in Equity

	Attributable to shareholders of the Company										
	Share capital	Share premium	Proceeds for conversion options and warrants	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 of April 1, 2022	19	2,534	18	5,588	(1,021)	(685)	(1,770)	(314)	4,369	2,753	7,122
Net profit	-	-	-	2,495	-	-	-	-	2,495	178	2,673
Other comprehensive income	-	-	-	-	792	-	385	-	1,177	292	1,469
Total comprehensive income	-	-	-	2,495	792	-	385	-	3,672	470 **)	4,142
Exercise of options for shares	-	1	-	-	-	-	-	-	1	-	1
Transactions with non-controlling interests	-	-	-	-	-	(3)	-	-	(3)	3	-
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(73)	(73)
Balance as of June 30, 2022	19	2,535	18	8,083	(229)	(688)	(1,385)	(314)	8,039	3,153	11,192

*) Mainly capital reserve for cash flow hedges.

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

Net profit attributable to non-controlling interests	178
Adjustments from translation of financial statements of foreign operations	292
Total comprehensive income attributable to non-controlling interests	470

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

Consolidated Statements of Changes in Equity

	Attributable to shareholders of the Company										
	Share capital	Share premium	Proceeds for conversion options and warrants	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 of January 1, 2021 (audited)	18	2,341	38	1,589	(933)	(677)	24	(314)	2,086	3,164	5,250
Net profit	-	-	-	581	-	-	-	-	581	342	923
Other comprehensive income (loss)	-	-	-	-	72	-	(472)	-	(400)	74	(326)
Total comprehensive income (loss)	-	-	-	581	72	-	(472)	-	181	416	597
Issuance of shares	-	10	-	-	-	-	-	-	10	-	10
Exercise of options for shares	1	45	(8)	-	-	-	-	-	38	-	38
Transactions with non-controlling interests	-	-	-	-	-	(3)	-	-	(3)	3	-
Adjusted dividend for prior years for non-controlling interests	-	-	-	-	-	-	-	-	-	7	7
Balance as of June 30, 2021	19	2,396	30	2,170	(861)	(680)	(448)	(314)	2,312	3,590	5,902

*) Mainly capital reserve for cash flow hedges.

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

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

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

Consolidated Statements of Changes in Equity

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

*) Mainly capital reserve for cash flow hedges.

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

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

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

Consolidated Statements of Changes in Equity

	Attributable to shareholders of the Company										
	Share capital	Share premium	Proceeds for options and 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 6 months ended June 30		For the 3 months ended June 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	NIS millions				
Cash flows from operating activities					
Net profit	5,325	923	2,673	476	1,672
Adjustments to reconcile cash flows from operating activities (a)	(1,816)	756	(394)	(24)	1,932
Net cash from operating activities	3,509	1,679	2,279	452	3,604
Cash flows from investing activities					
Investments in property, plant and equipment and investment property	(5)	-	(3)	-	(3)
Proceeds from sale of property, plant and equipment and investment property	11	-	11	-	160
Proceeds from sale of gas and oil assets	-	-	-	-	184
Tax paid in connection with the sale of oil and gas investments and assets	(262)	(27)	-	(27)	(27)
Proceeds from disposal of financial assets, net	-	123	-	100	123
Short-term investments, net	126	(502)	128	(340)	67
Change in long-term bank deposits, net	4	(8)	3	(2)	69
Investments in oil and gas exploration and assets	(1,024)	(444)	(650)	(157)	(1,104)
Cash added from disposal of previously consolidated companies and operations (b)	34	-	-	-	3,014
Cash derecognized for acquisition of control in companies and operations, net (c)	(3,397)	-	(3,585)	-	-
Proceeds from disposal of an investment in investees	-	113	-	38	113
Repayment of loans to others, net	-	115	-	35	121
Net cash from (used for) investing activities	(4,513)	(630)	(4,096)	(353)	2,717

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

Consolidated Statements of Cash Flows

	For the 6 months ended June 30		For the 3 months ended June 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	NIS millions				
Cash flows from financing activities					
Receipt of long-term loans	2,691	104	2,691	-	2,099
Repayment of long-term loans	(1,143)	(793)	(504)	(190)	(3,394)
Dividend paid to non-controlling interests	(407)	(85)	(51)	(27)	(416)
Issue of shares and warrants (net of issuance costs)	-	10	-	10	136
Exercise of warrants	1	38	1	14	38
Repayment of lease liabilities	-	-	-	-	(13)
Payment of contingent consideration	(51)	-	(14)	-	-
Issue of debentures and convertible debentures into shares (less issuance expenses)	-	515	-	515	3,286
Repayment and buyback of debentures	(360)	(350)	(9)	(77)	(7,264)
Net cash from (used for) financing activities	731	(561)	2,114	245	(5,528)
Translation differences on cash balances of foreign operations	74	(7)	56	(22)	(48)
Increase (decrease) in cash and cash equivalents	(199)	481	353	322	745
Cash and cash equivalents at the beginning of the period	1,147	402	595	561	402
Cash and cash equivalents at the end of the period	948	883	948	883	1,147

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

Consolidated Statements of Cash Flows

	For the 6 months ended June 30		For the 3 months ended June 30		For the year ended December 31
	2022	2021	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	1,437	529	871	75	797
Deferred taxes, net	941	295	510	199	896
Impairment (appreciation) of loans granted, net	23	)90(	42	)20(	)86(
Profit (loss) from the sale of property, plant and equipment, real estate and investments, net	)4(	)10(	)4(	)3(	)10(
Group's share of results of associates, net (1)	5	1	7	5	)6(
Loss from the sale of oil and gas assets		-		-	517
Gain from a bargain acquisition	)4,252(	-	)2,331(	-	-
Change in fair value of financial assets and financial derivatives, net	)58(	)236(	68	)90(	)374(
Impairment of long-term liabilities, net	)88(	53	)92(	31	)18(
Change in value of investment property, net	)15(	12	)17(	2	)108(
Changes in operating assets and liabilities:					
Decrease (increase) in trade receivables	184	)207(	953	)227(	)419(
Decrease (increase) in receivables and debit balances	)6(	26	64	)41(	)63(
Decrease (increase) in inventory	)153(	)52(	)265(	15	)232(
Increase in other assets, net	)19(	)7(	)6(	)2(	)22(
Increase (decrease) in trade payables	633	349	564	237	393
Increase (decrease) in other accounts payable	)444(	93	)758(	)205(	667
	)1,816(	756	)394(	)24(	1,932
Net of dividends received	13	-	13	-	38

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

Consolidated Statements of Cash Flows

	For the 6 months ended June 30		For the 3 months ended June 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	NIS millions				
(b) Cash added (deducted) due to disposal of investments in previously consolidated companies					
Working capital, net	34	-	-	-	13
Investments in exploration and production of oil and gas assets		-	-	-	3,597
Long-term liabilities					(184)
Other long-term assets		-	-	-	105
Loss from disposal of investment		-	-	-	(517)
	34	-	-	-	3,014
(c) Investment derecognized for acquisition of control in companies and operations, net					
Working capital (excluding cash and cash equivalents), net	(6)	-	90	-	-
Investment in exploration and production of gas and oil	(6,235)	-	(5,170)	-	-
Deferred taxes	(4,596)	-	(2,492)	-	-
Goodwill	(217)	-	(217)	-	-
Debentures	700	-	700	-	-
Financial derivatives	336	-	336	-	-
Decommissioning liabilities	1,289	-	480	-	-
Deferred and contingent consideration	1,080	-	357	-	-
Gain from bargain acquisition	4,252	-	2,331	-	-
	3,397	-	3,585	-	-
					-

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

Consolidated Statements of Cash Flows

	For the 6 months ended June 30		For the 3 months ended June 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	NIS millions				
(d) Significant non-cash activities					
Investment in oil and gas assets against liability	289	36	289	36	264
Dividend to non-controlling interests	-	-	-	-	142
Consideration not yet received from sale of operation	-	-	-	-	33
(e) Additional information on cash flows					
Cash received during the period for:					
Interest	556	523	431	337	1,442
Taxes and levies on oil profits	55	99	10	96	145
Cash received by the Company during the period for:					
Interest	5	24	1	24	13
Taxes	17	6	7	-	6
Dividends	13	-	13	-	38

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

NOTE 1 –

A. General

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 June 30, 2022 and for the six- and three month periods 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 during 2022 (mostly in the first quarter of 2022), such that on June 30, 2022, the Brent oil price was USD 107 per barrel and the gas price was 192 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 98 per barrel and the gas price was 505 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 June 30, 2022, the Company (separate) has a working capital deficit of NIS 0.6 billion, mainly due to current maturities of debentures issued by the Company. The Group (consolidated) has a working capital deficit of NIS 3.4 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, business combinations were completed by a subsidiary of the Company, under which a gain from a bargain acquisition was recognized as set out in Notes 3B(1) and 3B(2). The initial assessment of the attribution of the consideration for the acquisition of the net assets acquired in the said business combinations was carried out by an external appraiser. As at the approval date of these financial statements, the valuations is provisional and according to the provisions of IFRS 3, they will be completed within a period of one year from the transaction completion date. Accordingly, the Group recognized a profit in the amount of USD 601 million (NIS 1.9 billion) from the bargain acquisition and of USD 666 million (NIS 2.3 billion) for each of the business combinations. As part of the business combinations, deferred tax assets were recognized for the carryforward losses of the Acquirees in the amount of USD 1.4 billion (NIS 4.9 billion) (some of which were not recognized in the financial statements of the Acquirees prior to the business combination date). The deferred 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 utilize the carryforward losses in the Acquired Companies, 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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

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 Paragraph 3.3.6 of IFRS 9 in assessing whether the terms of a modified or exchanged financial liability are substantively 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.

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 acquirers and components of future contingent consideration (hereinafter, jointly - the "Future Consideration"), measured in the financial statements at fair value, as of June 30, 2022, the Company, through an external appraiser, measured the value of the Future Consideration. As at June 30, 2022, the fair value of the Future Consideration amounted to NIS 164 million (as at December 31, 2021 - NIS 189 million). The loss generated for the Company's shareholders as a result of revaluation of the Future Consideration, as set out above, amounted to NIS 25 million in the first half of 2022 and is included in the statement of income under the "profit (loss) from discontinued operations" line item. The fair value was assessed by an independent external appraiser using the Longstaff-Schwartz model, assuming risk neutrality. In addition, the annual standard deviation of The Phoenix shares was estimated at 31% and the annual dividend return was estimated at 4%. In view of the risk neutrality, the discount rate used in the valuation is a risk-free interest rate curve throughout the loan period.

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 - Marubeni Oil and Gas (U.K.) Limited

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 "Acquiree" 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 Acquiree has tax loss carryforwards amounting to USD 1.5 billion.

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 Acquiree 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 Acquiree 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.

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

B. Ithaca (cont.)

1. Business combination - Marubeni Oil and Gas (U.K.) Limited (cont.)

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 (according to the provisions of IFRS 3)), 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 the 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 in accordance with the provisions of IFRS 3, will be completed within one year from the transaction completion date.

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 acquisition *)	(601)	(1,921)
Total acquisition consideration	334	1,068

*) The gain from a bargain acquisition in the amount of USD 601 million (NIS 1.9 billion) 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 acquisition.

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%

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

B. Ithaca (cont.)

1. Business combination - Marubeni Oil and Gas (U.K.) Limited (cont.)

As from the acquisition date and until June 30, 2022, Marubeni contributed an amount of USD 99.9 to pre-tax profit and USD 213.1 million to revenue.

2. Business combination - Siccar Point Energy (Holdings) Limited

On June 30, 2022, the transaction in which Ithaca acquired the entire share capital (100%) of a foreign partnership, Siccar Point Energy (Holdings) Limited, was completed; the company owns different rates of interest in producing oil and gas assets and commercial discoveries in the North Sea region (hereinafter - the "Siccar Point").
The non-contingent consideration set out in the agreement for the entire share capital of Siccar Point is USD 1.1 billion, subject to adjustments between the financial debt of Siccar Point on completion of the transaction and additional standard adjustments. In addition, under the acquisition agreement, the transaction is effective from January 1, 2022, such that Ithaca will be entitled to the cash that will accrue in Siccar Point from that date until the transaction completion date.
In view of the above, and after adjustments, on completion of the transaction, Ithaca paid a consideration of USD 926 million (net of cash accrued at Siccar Point). The consideration was financed through a withdrawal of USD 750 million from Ithaca's RBL facility and from independent sources. It should be noted that subsequent to the balance sheet date, in August 2022, as part of the acquisition consideration set out in the agreement, Ithaca made early repayment of USD 166 million from the debenture reserve of Siccar Point, which existed on completion of the transaction.
In addition to the said 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.
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 transactions of this type.

The assets and liabilities of Siccar Point 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 (in accordance with the provisions of IFRS 3), 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 103 per barrel in 2022, USD 95 per barrel in 2023, USD 85 per barrel in 2024, and reaching USD 79 per barrel in 2026; and future gas prices of 264 penny per thermal unit in 2022, 188 pennies/therm unit in 2023, 121 penny per thermal unit in 2024, and reaching 78 penny per thermal unit in 2026. The calculation of the fair value of oil and gas assets is based on the discount rate of 10.4% and the calculation of the fair value of liabilities for disposal is based on a discount rate of 3.5%. In addition, assumptions were made regarding the production rate and disposal costs. The valuation of Siccar Point's assets and liabilities and the acquisition consideration as included in these financial statements is provisional and, in accordance with the provisions of IFRS 3, 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.)

2. Business combination - Siccar Point Energy (Holdings) Limited (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	89	312
Current assets	30	105
Investments in oil and gas exploration and production	1,375	4,813
Deferred taxes	746	2,611
	2,240	7,841
Current liabilities	(40)	(140)
Debentures	(200) *)	(700) *)
Financial derivatives	(96)	(336)
Non-current liabilities (mainly decommissioning liabilities)	(121)	(424)
	(457)	(1,600)
Identifiable assets, net	1,783	6,241
Net of - gain from the bargain acquisition **)	(666)	(2,331)
Total acquisition consideration	1,117	3,910

*) Of this amount, a total of USD 166 million dollars (NIS 581 million) was paid subsequent to the balance sheet date as part of the acquisition price set out in the agreement.

**) Following the acquisition, Ithaca recognized a profit from a bargain acquisition in the amount of USD 666 million (NIS 2.3 billion). As part of the acquisition, Ithaca acquired significant balances of carryforward tax losses (totaling approximately USD 3 billion). Ithaca believes, taking into account the structure and nature of its assets, that the Ithaca Group has the flexibility and the ability to utilize them (and for which Ithaca created a deferred tax asset), while most of the losses could not be utilized by the sellers. It also should be noted that Siccar Point's portfolio includes rights in Cambo (70%) and Rosebank (20%), which are undeveloped commercial discoveries that will require substantial investments to develop. Ithaca has the ability and experience required to develop assets in the North Sea and the ability to obtain the resources required for their development. All these support the profit arising from the bargain acquisition in the transaction.

Composition of acquisition cost:

	USD millions	NIS millions
Consideration paid in cash	1,015	3,553
Fair value of contingent consideration *)	102	357
	1,117	3,910

*) The fair value was calculated using the discount rate of 3.5%

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

B. Ithaca (cont.)

3. Business combination - Summit Exploration and Production Limited

On June 30, 2022, the transaction in the agreement with Sumitomo Corporation was completed for Ithaca's acquisition of 100% of the share capital of Summit Exploration and Production Limited (hereinafter - "Summit"). The consideration in the Summit transaction was set at an amount of USD 148 million, and net of the funds accrued in Summit as from January 1, 2021 until finalization of the transaction, dividend distribution by Summit, interest and adjustments made, on finalization of the transaction, Ithaca paid an amount of USD 100 million. Summit owns producing gas and oil assets.

The assets and liabilities of Summit 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 according to a provisional measurement (in accordance with the provisions of IFRS 3). The assumptions regarding prices and discount rates used in the valuation are the same as those described in Section 2 above, regarding the acquisition of Siccar Point. In addition, assumptions were made regarding the production rate and disposal costs. The valuation of Summit's assets and liabilities and the acquisition consideration as included in these financial statements is provisional and, in accordance with the provisions of IFRS 3, will be completed within one year from the transaction completion date.

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	19	67
Current assets	8	28
Investments in oil and gas exploration and production	102	357
	129	452
Current liabilities	(20)	(70)
Deferred taxes	(34)	(119)
Non-current liabilities (mainly decommissioning liabilities)	(16)	(56)
	(70)	(245)
Identifiable assets, net	59	207
Goodwill arising on acquisition	62	217
Total acquisition consideration *)	121	424

*) The acquisition consideration was paid in cash.

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

C. NewMed Energy

1. Further to Note 10G(4) and Note 23A(2) to the Annual Financial Statements, referring to an appeal filed at the Supreme Court against the judgment of the district court, which approved the motion to convene a general meeting to approve the arrangement under Sections 350 and 351 of the Companies Law, 1999 (hereinafter - the "Companies Law"), which mainly refers to the replacement of the participating units with ordinary shares of a new company incorporated in the UK England and will hold the entire rights of the limited partner and the general partner in the Partnership (hereinafter - the "Arrangement" or the "Transaction" and the "Respondents", respectively), subsequent to the balance sheet date, on July 25, 2022, the Supreme Court handed down a ruling that validated the settlement proposed by the judges, in which the Respondents were given the opportunity to convene a special general meeting to approving the settlement, until September 22, 2022. The court further ruled that approval of the Arrangement by the court is subject to an order issued by the Minister of Justice. Following the Respondents' motion of August 15, 2022 to correct an error in the judgment, on August 17, 2022, the court dismissed the motion to correct an error, but accepted their alternative motion to extend the date for convening the general meeting to January 31, 2023. It should be noted that, as at the approval date of the financial statements, the Partnership is holding preliminary negotiations for the possibility of carrying out the Transaction with a company listed on the London Stock Exchange.

2. In accordance with the Partnership's strategy for entry into the renewable energies sector, the Partnership is assessing several options to enter this sector, including by joining joint ventures and acquiring platforms of existing activity. In this context, and with the aim of taking advantage of the Partnership's knowledge and experience in regional markets, on August 14, 2022, the Partnership signed an MoU with Enlight Renewable Energies Ltd. (hereinafter - "Enlight") for exclusive cooperation, for a limited period, to initiate, develop, finance, construct, and operate renewable energy projects (including solar, wind, and energy storage projects, and other renewable energy segments that may be relevant), in a number of target countries including Egypt, Jordan, Morocco, the United Arab Emirates, Bahrain, Oman, and Saudi Arabia. Under the MoU between Enlight and the CEO of the general partner in the Partnership, Enlight will assign some of its rights in the transaction to the CEO of the general partner. It should be noted that the transaction is subject, among other things, to a detailed agreement signed by the parties, as well as to the approval of the general meeting of the holders of the Partnership's participating units for investments in renewable energy projects, as required by the TASE bylaws, including approval of the outline of the transaction with Enlight, taking into account, among other things, the personal interest of the CEO of the Partnership's general partner in the transaction.

3. On May 22, 2022, the NewMed Energy declared a profit distribution in the amount of USD 50 million, which was distributed during June 2022. The Group's share in this amount is USD 27 million.

4. Subsequent to the balance sheet date, on August 17, 2022, NewMed Energy declared a profit distribution in the amount of USD 50 million, following the recommendation of the committee for examining the financial statements of the Partnership's general partner, with the deadline for distribution being August 25, 2022; the profits will be distributed on September 22, 2022. The Group's share in this amount is USD 27 million.

D. Delek Israel

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 was completed in June 2022, according to schedule and under the planned budget. The cost of the drilling as at the approval date of the financial statements totaled USD 119.6 million (100%, the Partnership's share, is USD 54.2 million). According to the work plan, the drilling was completed and will be connected to the existing subsea production system of the Leviathan Project 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 total 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 spent a total of USD 202 million of said budget (100%, the share of the Group amounts to USD 107 million).

C. Block 12, Cyprus

Further to Note 12E to the Annual Financial Statements, it is noted that, the partners in the Aphrodite Reservoir intend to file, by the end of the year, a revised reservoir development and production plan for approval with the government of Cyprus, such that the development of the reservoir will be combined 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.

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

D. 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 external 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 discount rate for the loan is estimated at 6.69%; the capitalization rate for the royalty component is estimated at 12.5%; 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 30.7 million (NIS 100 million) arising from an adjustment of the value of royalties from the Leases amounting to USD 29.4 million (NIS 96 million); and from an adjustment of the amounts receivable in respect of the loan to Energean in the amount of USD 1.3 million (NIS 4 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 for the loan, set for March 2022, will be postponed.
On May 31, 2022, the Partnership filed a claim against Energean, petitioning the court to order Energean to immediately pay the Partnership the outstanding loan as required by the agreement, in a total amount of USD 65.1 million, plus statutory linkage differences and the agreed interest differences at an annual rate of 4.6%. And as an alternative only, to immediately pay the Partnership the periodic payment for 2022, which was set for March 2022, as required in the agreement but has not yet been paid, in a total amount of USD 10.85 million, plus the statutory linked differences and the agreed annual interest differences of 4.6% and to provide declarative relief according to which the terms of the force majeure covenant in the agreement were not fulfilled. It should be noted that Energean is required to file a statement of defense by September 15, 2022.

E. Further to Note 12H to the Annual Financial Statements, on June 20, 2022, the 405/Ofek Hadash and 406/Yahel Hadash licenses (hereinafter - the "**Licenses**") expired, and the Partnership did not join the operator's application to the Commissioner of Petroleum Affairs at the Ministry of Energy (hereinafter - the "**Commissioner**") to extend their validity. Accordingly, the Partnership amortized its investments in the License by an amount of USD 14.8 million (NIS 48 million). The total effect on the profit attributable to the Company's shareholders after tax amounted to NIS 20 million.

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

F. Further to Note 12R to the Annual Financial Statements, regarding the Partnership's balancing payments for assessment differences for 2015-2016, subsequent to the balance sheet date, on July 19, 2022, the Partnership, on behalf of the trustee, filed a motion for a judgment according to the approved payment schedule, and on August 1, 2022, the judgment was signed as requested. It is noted that on July 21, 2022, the Partnership transferred an amount of NIS 39.7 million (USD 11.4 million), including linkage and interest, to the account of the trustee responsible for payment under the outline set out by the court for payment to eligible holders who are an association of individuals in each of the years 2015-2016 . The Group's share in the balancing payments amounts to NIS 29 million.

G. Further to Note 12G to the Annual Financial Statements, regarding the disputes between the Assessing Officer for Large Enterprises and the holders of rights in the Tamar project regarding the levy for oil and gas profits for 2013-2019, in May 2022, the Assessing Officer for Large Enterprises issued a best judgment assessment for the 2020 tax year, which includes the disputes for prior years. On July 28, 2022, the holders of rights in the Tamar project appealed the said assessment with the Assessing Officer for Large Enterprises. It should clarified that if it is there is a peremptory ruling accepting the position of the Tax Authority regarding the disputes in full, the Partnership may incur an additional liability to pay the oil and gas profits levy to the Tax Authority in an amount estimated at USD 35 million as at June 30, 2022. The Partnership believes, based on the opinion of its legal counsel regarding the Disputed Issues, that it is more likely than not that Partnership's claims with respect to most of the Disputed Issues will be accepted.

H. In the second quarter of 2022, Ithaca decided not to extend the license period in the Austen reservoir and to return it to North Sea Transition Authority (hereinafter – "**NSTA**", the oil and gas regulator in the North Sea). NSTA approved the return of the license. Accordingly, the Group reduced its investment in the Austen license in the amount of USD 73 millions (NIS 256 million) before the tax effect. The total effect on the profit attributable to the Company's shareholders after the tax effect amounted to USD 45 million (approx. NIS 158 million).

I. For further details 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, 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. Subsequent to the balance sheet date, in July 2022, Midroog upgraded the rating of the debentures issued by the Company from Baa3.il to Baa1.il with a stable outlook.

C. As at June 30, 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 other than the following:

A. Further to Note 23A2 (10) to the Annual Final Statements, referring to the motion for certification of a derivative claim filed at the Tel Aviv-Jaffa District Court (Economic Department), for claims (denied) regarding the Company's buyback of shares and debentures in January and February 2020 (hereinafter - the "**Motion for Certification**"), subsequent to the balance sheet date, on July 20, 2022, and following several hearings at the court, the district court handed down a ruling striking out the Motion for Certification against the Company, without expenses, at the request of the applicants who filed the Motion for Certification to end the proceeding.

B. Further to Note 23A2(9) to the Annual Financial Statements, 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; it is noted that on July 15, 2022, a judgment was rendered rejecting the motion. The Company is assessing its steps regarding the ruling, and is considering the option of appealing it at the Supreme Court.

NOTE 8 - EQUITY

A. In the reporting period, 3,281 options (Series 12) were exercised for 3,281 shares of NIS 1 par value of the Company and 5,541 Options (Series 11) for 5,541 shares of NIS 1 par value, for a negligible amount.

As at June 30, 2022, the Company's issued and paid-up share capital totaled 18,296,315 shares of NIS 1 par value, each. Options in circulation: 493,217 Options (Series 11), 256,511 Options (Series 12), 47,266 Options (Series 13), and 82,260 Options (Series 14).

B. Subsequent to the balance sheet date until immediately before the approval date of the Financial Statements, the Company exercised 505 Options (Series 12) into 505 shares of NIS 1 par value, 6,080 Options (Series 11) into 6,080 shares of NIS 1 par value and 47,114 Options (Series 13) into 47,114 shares of NIS 1 par value Furthermore, 152 Options (Series 13) expired The total consideration received amounts to NIS 15 million.

After the exercise of the options, the issued and paid-up share capital of the Company amounts to 18,350,014 shares of NIS 1 par value each. Options in circulation: 487,137 Options (Series 11), 256,006 Options (Series 12) 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	
	June 30	December 31	June 30	December 31
	2022	2021	2022	2021
	Unaudited	Audited	Unaudited	Audited
	NIS millions			
Debentures	15,281	13,717	14,890	14,489

The fair value of most of the debentures is classified to level 1 in the fair value hierarchy.

NOTE 9 - FINANCIAL INSTRUMENTS (CONT.)

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

1. As at June 30, 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	4	-	-
ETFs	67	-	-
Seller's loan to the buyers of The Phoenix	-	-	164
Royalties receivable for the sale of the Karish and Tanin leases	-	-	1,021
Loan provided for the sale of the Karish and Tanin leases	-	230	-
Financial assets at fair value through other comprehensive income			
Cash flow hedging transactions	-	157	-

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	-	-	958
Financial derivatives	-	71	-
Financial liabilities at fair value through other comprehensive income			
Cash flow hedging transactions	-	2,886	-

NOTE 9 - FINANCIAL INSTRUMENTS (CONT.)

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

2. As at June 30, 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	11	-	-
Seller's loan to the buyers of The Phoenix	-	-	199
Royalties receivable for the sale of the Karish and Tanin leases	-	-	836
Loan provided for the sale of the Karish and Tanin leases	-	208	-
Financial derivatives	-	16	-
Financial assets at fair value through other comprehensive income			
Cash flow hedges	-	6	-

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	-	-	19
Financial liabilities at fair value through other comprehensive income			
Cash flow hedging transactions	-	951	-

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 of June 30, 2022:

- Transactions on the price of oil

	Period	Quantity (MBBL of oil)	Average exercise price (USD/barrel)
Swap	July 2022 to December 2023	5,005	62
Put	July 2022 to December 2022	1,049	57
Collar	July 2022 to December 2023	6,262	66, lower limit; 89, upper limit

- Transactions on the price of gas

	Period	Quantity (ktherms)	Average exercise price (pennies/therm)
Swap	July 2022 to June 2024	192,495	134
Put	July 2022 to December 2022	27,600	90
Collar	July 2022 to September 2023	78,000	114, lower limit; 204, upper limit

The acquisition cost of the hedging transactions amounts to USD 118 million, of which an amount of USD 71 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 of June 30, 2022, the net fair value of the hedge transactions amounted to a liability of USD 786 million (NIS 2,751 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. 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 10 - ADDITIONAL INFORMATION (CONT.)

D. Subsequent to the balance sheet date, in July 2022, the legislation according to which oil and gas companies operating in the North Sea will be charged an additional levy at the rate of 25% of their profits was finalized (in addition to the existing tax of 40%) for a limited period starting on May 26, 2022 and ending on December 31, 2025. Against the new levy, companies will be permitted to deduct 80% of their permitted investments in development of oil and gas assets (with the exception of disposal and financing costs) in the levy period, with the aim of providing the companies with an incentive to continue investing in the development of gas and oil reserves in the North Sea. Carryforward losses may not be offset against the levy. Accordingly, in the third quarter, the Group will update the deferred tax balances expected to be utilized in the levy period, to reflect the new tax rate. According to Ithaca estimates, based on figures as at June 30, 2022, the impact of the said tax rate update is a decrease in the net deferred tax asset (the balance of which as at June 30 is USD 1.5 billion) of USD 150 million. This decrease is expressed in a decrease in deferred tax in respect of oil and gas assets in the amount of USD 359 million and an increase in deferred tax in the amount of USD 169 million in respect of hedges.

E. The Group has material investments in investee companies and an investee partnership whose functional currency is NIS the USD; thus, changes in currency exchange rates materially affect the Group's other comprehensive income or loss and the equity attributable to Company shareholders. In the reporting period, the USD gained 12.5% against the NIS, as compared to a gain of 1.4% in the same period last year. It is noted that subsequent to the balance sheet date and until shortly before the approval date of this report, the exchange rate of the USD against the NIS was down by 6%.

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 - The main activity during the reporting period is in the Leviathan Project 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 - other segments include mainly the operations of Delek Israel and Delek Israel Properites, the investment in which is accounted for in accordance with the equity method.

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 6 months ended June 30		For the 3 months ended June 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	NIS millions				
Revenue from external sources					
Oil and gas exploration and production in and around Israel	1,529	1,564	845	786	3,231
Development and production of oil and gas assets in the North Sea	4,447	2,085	2,066	959	4,736
Other segments	8	5	7	(1)	6
Total in statement of income	5,984	3,654	2,918	1,744	7,973

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

2) Segment results

	For the 6 months ended June 30		For the 3 months ended June 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	NIS millions				
Oil and gas exploration and production in and around Israel	1,009	1,007	597	515	1,544
Development and production of oil and gas assets in the North Sea	5,982	927	2,987	545	2,939
Other segments	18	9	16	(3)	116
Adjustments *)	4	(20)	10	(5)	31
Operating profit (loss)	7,013	1,923	3,610	1,052	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 6 months ended June 30		For the 3 months ended June 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	NIS millions				
Oil and gas exploration and production in and around Israel	366	340	225	174	362
Development and production of oil and gas assets in the North Sea	4,878	358	2,369	217	1,282
Other segments	18	8	16	(3)	115
Adjustments *)	(197)	(220)	(67)	(107)	(411)
Profit (loss) from continuing operations attributable to shareholders of the Company	5,065	486	2,543	281	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 Interim Consolidated Financial Statements Attributable to the Company

as at June 30, 2022

Unaudited

Special Report according to Regulation 38D

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

Attributable to the Company

Following are financial data and separate financial information attributable to the Company out of the Group's consolidated interim financial statements as at June 30, 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.

Financial data from the consolidated balance sheets attributable to the Company

	as at June 30		As at December 31
	2022	2021	2021
	Unaudited		Audited
	NIS millions		
Current assets			
Cash and cash equivalents	42	22	285
Short-term investments	18	534	8
Income tax receivable	6	29	20
Other receivables	31	21	42
	97	606	355
Assets held for sale	-	18	-
Total current assets	97	624	355
Non-current assets			
Investments in investee companies and partnerships	8,206	2,830	3,158
Loans and capital notes to investees	4,291	4,910	3,832
Financial assets	-	11	-
Long term loans and debit balances	300	373	330
Investment property	253	196	253
Property, plant and equipment, net	45	46	45
Total non-current assets	13,095	8,366	7,618
	13,192	8,990	7,973

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

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

Financial data from the consolidated balance sheets attributable to the Company

	as at June 30		As at December 31
	2022	2021	2021
	Unaudited		Audited
	NIS millions		
Current liabilities			
Debentures including current maturities	437	5,460	350
Loan from a subsidiary	52	39	63
Other payables	182	173	110
Total current liabilities	671	5,672	523
Non-current liabilities			
Loans from subsidiaries	936	895	895
Loans from others	106	104	103
Debentures	3,433	-	3,839
Other liabilities (primarily liability for retirement of long term assets)	7	7	9
Total non-current liabilities	4,482	1,006	4,846
Equity attributable to the Company's shareholders			
Share capital	19	19	19
Share premium	2,535	2,396	2,534
Proceeds for conversion options and warrants	18	30	18
Retained earnings	8,083	2,170	3,049
Adjustments from translation of financial statements of foreign operations	(229)	(861)	(1,125)
Reserve from transactions with non-controlling interests	(688)	(680)	(684)
Other reserves	(1,385)	(448)	(893)
Treasury shares	(314)	(314)	(314)
Total equity	8,039	2,312	2,604
	13,192	8,990	7,973

August 23, 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 attributable to the Company

	For the 6 months ended June 30		For the 3 months ended June 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	NIS millions				
Revenue from overriding royalties and gas sales	1	1	1	-	3
Rent	8	5	7	-	6
Company's share in earnings of investee companies and partnerships, net	5,272	705	2,618	390	1,727
Total revenue	5,281	711	2,626	390	1,736
Production cost of gas sold	2	1	-	1	3
General and administrative expenses	11	15	7	7	22
Other income (expenses), net	(2)	(10)	-	-	63
Operating profit	5,266	685	2,619	382	1,774
Net finance expenses with respect to loans to investees and others	(28)	(2)	(15)	(2)	(21)
Finance income (expenses) (mainly for financial investments), net	2	(11)	2	-	(15)
Finance expenses (mainly for debentures)	(182)	(180)	(68)	(97)	(386)
Profit from continuing operations	5,058	492	2,538	283	1,352
Profit (loss) from discontinued operations, net	(24)	89	(43)	19	80
Net profit attributable to Company's shareholders	5,034	581	2,495	302	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 attributable to the Company

	For the 6 months ended June 30		For the 3 months ended June 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	NIS millions				
Net profit attributable to Company's shareholders	5,034	581	2,495	302	1,432
Other comprehensive income (loss):					
Amounts not reclassified to profit and loss:					
Other comprehensive income attributable to investee partnerships and companies	-	65	-	6	65
Total	-	65	-	6	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	413	59	344	(95)	(108)
Other comprehensive income (loss) attributable to the Partnership and investees (post-tax)	(9)	(524)	833	(362)	(1,038)
Total	404	(465)	1,177	(457)	(1,146)
Total other comprehensive income (loss) from continuing operations	404	(400)	1,177	(451)	(1,081)
Total comprehensive income (loss) attributable to Company's shareholders	5,438	181	3,672	(149)	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 attributable to the Company

	For the 6 months ended June 30		For the 3 months ended June 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	NIS millions				
Cash flows from the Company's operating activities					
Net profit attributable to the Company's shareholders	5,034	581	2,495	302	1,432
Adjustments needed to present cash flows from the Company's operating activities (a)	(4,956)	(732)	(2,576)	(358)	(1,743)
Net cash provided by (used for) the Company's operating activities	78	(151)	(81)	(56)	(311)
Cash flows from the Company's investing activities					
Investments in property, plant and equipment and investment property	(3)	-	(1)	-	-
Proceeds from disposal of financial assets	-	23	-	-	23
Short term deposits, net	(11)	(453)	(10)	(515)	78
Proceeds from disposal of investment property	-	-	-	-	19
Deposits to long-term deposits	-	(8)	-	(3)	(4)
Collection of long-term deposits	4	-	3	-	76
Repayment of loans provided to others	-	67	-	34	73
Receipt (provision) of loans to, and equity investments in, investees, net	(9)	85	(4)	11	988
Net cash from (used for) the Company's investing activities	(19)	(286)	(12)	(473)	1,253
Cash flows from the Company's financing activities					
Issue of share capital and options (less issuance expenses)	-	10	-	10	136
Proceeds from exercise of options for shares of the Company	1	38	1	14	38
Issue of debentures (less issuance expenses)	-	515	-	515	1,256
Loans from subsidiaries	90	138	85	40	314
Repayment of loans to subsidiaries	(42)	(12)	(1)	(9)	(152)
Loans received from others	-	104	-	-	104
Repayment of loans from banks and others	-	(113)	-	-	(113)
Repayment of debentures	(351)	(351)	-	(76)	(2,370)
Net cash from (used for) the Company's financing activities	(302)	329	85	494	(787)
Increase (decrease) in cash and cash equivalents	(243)	(108)	(8)	(35)	155
Cash and cash equivalents at the beginning of the period	285	130	50	57	130
Cash and cash equivalents at the end of the period	42	22	42	22	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 attributable to the Company

	For the 6 months ended June 30		For the 3 months ended June 30		For the year ended December 31
	2022	2021	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
Appreciation of loans granted, net	(3)	(19)	(1)	(10)	(23)
Impairment (appreciation) of investments in financial assets, net	1	10	1	(2)	16
Company's share in the expenses of investee companies and partnerships *)	(5,048)	(697)	(2,609)	(389)	(1,588)
Impairment of liabilities, net	31	55	13	38	92
Revaluation of other long-term assets	23	(90)	42	(20)	(86)
Gain on disposal of investment property	-	-	-	-	10
Impairment (appreciation) of investment property	2	10	-	-	(57)
(b) Changes in the Company's asset and liability line items:					
Decrease (increase) in receivables and debit balances	28	7	3	2	(22)
Increase (decrease) in other accounts payable	9	(8)	(25)	23	(86)
	(4,956)	(732)	(2,576)	(358)	(1,743)
*) Net of dividends received	224	8	9	-	151

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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 attributable to the Company

	For the 6 months ended June 30		For the 3 months ended June 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	NIS millions				
(c) Additional information on cash flows					
Cash paid by the Company during the period for:					
Interest	123	151	82	43	416
Cash paid by the Company during the period for:					
Taxes	17	-	7	-	-
Dividends	224	8	9	-	151

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

Additional 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, 2020, and for the year then ended and their accompanying notes, and in conjunction with the consolidated interim financial statements as of June 30, 2022 (hereinafter - the " Interim Consolidated Financial Statements").

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 gas and oil 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 during 2022 (mostly in the first quarter of 2022), such that on June 30, 2022, the Brent oil price was USD 107 per barrel and the gas price was 192 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 98 per barrel and the gas price was 505 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 June 30, 2022, the Company (separate) has a working capital deficit of NIS 0.6 billion, mainly due to current maturities of debentures issued by the Company. The Group (consolidated) has a working capital deficit of NIS 3.4 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 – 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 additional details, see Note 6 to the consolidated interim financial statements.
Subsequent to the balance sheet date, in July 2022, Midroog upgraded the rating of the debentures issued by the Company from Baa3.il to Baa1.il with a stable outlook.

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Deloitte.

Date: August 23, 2022

To
The Board of Directors of Delek Group Ltd.

To whom it may concern,

Re: Shelf Offering Report in accordance with the Shelf Prospectus dated May 30, 2022 of the Delek Group Ltd. (hereinafter - the "Company")

We hereby inform you that we consent to the inclusion (including by way of reference) in the shelf offering report in accordance with the shelf prospectus referred to above our following reports:

1. Review Report of the Independent Auditor dated August 23, 2022 on the Condensed Consolidated Financial Information of the Company as at June 30, 2022 and for the six-month and three-month periods then ended.

2. Review Report of the Independent Auditor dated August 23, 2022 on the Condensed Separate Financial Information of the Company as at June 30, 2022 and for the six-month and three-month periods then ended, in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Sincerely,
Brightman Amagor Zohar & Co.
Certified Public Accountants
A Firm in the Deloitte Global Network

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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 quarterly report on the Effectiveness of Internal Control over Financial Reporting and Disclosure, which was attached to the quarterly report for the period ended March 31, 2022 (hereinafter - the "Most Recent Quarterly Report of Internal Control"), the said internal control was found to be effective.

It is noted that the assessment of the effectiveness of internal control for Marubeni Oil and Gas (U.K.) Limited, Siccar Point Energy (Holdings) Limited, and Summit Exploration and Production Limited - companies which were acquired during the reporting period and whose business operations were included in the Company's consolidated business operations for the period ended June 30, 2022 - were not included in the scope of the Report on the Effectiveness of Internal Control.

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 Most Recent Quarterly Report of Internal Control in the quarterly report and based on the 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 Reports for the Interim Period and other financial information of Delek Group Ltd. (hereinafter - "the Corporation") for the second quarter of 2022 (hereinafter - "the Reports" or "the Reports for the Interim Period");

2. To the best of my knowledge, the Interim Financial Statements and other financial information included in the Reports for the Interim Period do not include any 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. (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. (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. (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.

August 23, 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 Reports for the Interim Period and other financial information of Delek Group Ltd. (hereinafter - "the Corporation") for the second quarter of 2022 (hereinafter - "the Reports" or "the Reports for the Interim Period");

2. To the best of my knowledge, the Interim Financial Statements and other financial information included in the Reports for the Interim Period do not include any 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.

August 23, 2022

Tamir Polikar
Deputy CEO and Chief Financial Officer