



Delek Group



FINANCIAL STATEMENTS

UNAUDITED

AS OF SEPTEMBER 30, 2022

IMPORTANT

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

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

FINANCIAL STATEMENTS

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Delek Group

Chapter

A

Corporate Description



Update of Chapter A (Description of the Corporation's Business) to the 2021 Periodic Report¹ 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. In the third quarter through the date of publication of the report, 65,982 Options (Series 11-13) were exercised for Company shares for a total consideration of NIS 17 million.

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

- A. On November 23, 2022, the Board of Directors of NewMed Energy Management Ltd., the general partner of NewMed Energy - Limited Partnership (hereinafter - the "**General Partner**" and "**Partnership**", respectively) approved the distribution of profits amounting to 50 million United States dollar (hereinafter - "**USD**"); the record date for the distribution is December 26, 2022. The profits will be distributed on January 19, 2023. The Company's share (directly and indirectly) of the distribution is USD 27 million.
- B. On September 21, 2022, the general meeting of the holders of the Partnership's participation units approved an amendment to the Partnership agreement in terms the possibility of the Partnership investing in renewable energy projects as stated in Section A.14 below, approval of a new arrangement regarding management expenses of the Partnership according to which the Partnership will directly bear all expenses required to manage its business and assets, including the management expenses of the General Partner², which has no other activity other than managing the Partnership, and the possibility of the Partnership providing contributions and support to the community.

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

- A. On October 25, 2022, the Ministry of Energy announced that the Petroleum Commissioner issued approval for Energean Oil and Gas Plc (hereinafter - "**Energean**") to start producing natural gas from the Karish reservoir. Accordingly, on October 26, 2022, Energean announced the production of first gas from the Karish reservoir, and on October 28, 2022 started supplying gas to its customers. The gas is expected to be produced gradually, and Energean reported that it expects

¹ The update contains material changes or developments in the Company's business in the third quarter 2022 report 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") or the quarterly report for the second quarter of 2022, which was published on August 24, 2022 (Ref. No.: 2022-01-107545) hereinafter - the "Second 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 The General Partner is a wholly-owned (100%) subsidiary of Delek Energy Systems Ltd., a private company wholly owned (100%) by the Company.

to reach commercial production at a rate of 6.5 BCM per year out of a maximum capacity of 8 BCM per year that it is able to produce from the reservoir, within 4-6 months of the said first gas production.

- B. On October 27, 2022, Government Resolution No. 1906 was published approving the maritime agreement between Israel and Lebanon (hereinafter - the **"Maritime Agreement"**), and on that date, the Maritime Agreement was signed by the Israeli Prime Minister and the President of Lebanon. The Maritime Agreement sets out, among other things, the maritime border between the countries, and that the status quo near the coast, including along its length and as defined by the present buoy line, will remain as is.

Subsequently, on November 15, 2022, an MOU was signed between Israel, the French energy company Total Energies and the Italian energy company ENI (a consortium that holds the license to develop Block 9 in Lebanon). According to the Ministry of Energy's announcement, the purpose of the MOU is to ensure that the potential reservoir between the countries is not developed without preserving the economic rights of Israel. It is noted that the document does not specify the economic consideration which Israel will be entitled to receive from the reservoir. It is further noted that the area of the potential reservoir is partially included in the Alon-D license area that was previously held by the Partnership and Chevron Mediterranean Limited (hereinafter - **"Chevron"**), which petitioned the High Court as of Justice set forth in Section 1.7.34(J) of the Periodic Report.

- C. On September 28, 2022, the Ministry of Environmental Protection published a technical-economic action plan for the transition to clean industry based on renewable energies and zero dependence on fossil fuels, under which NIS 100 million was allocated for a grant program to reduce industrial greenhouse gasses. The plan includes several measures, including revision of the State-guaranteed program for loans to reduce greenhouse gases, as set out in Government Resolution No. 542 dated October 24, 2021, and a recommendation to formulate a grant program for the production of green and yellow hydrogen near the consumer in industrial zones far from the gas infrastructure.
- D. On November 10, 2022, the Ministry of Energy announced that Israel and Germany signed a collaboration agreement to promote projects in the energy security, renewable energies, hydrogen and natural gas sectors. According to the said agreement, the countries will establish joint work teams to discuss, inter alia, energy security, renewable energies with emphasis on the electricity grid, agrivoltaics, natural gas and energy efficiency in the urban space.

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

As at the approval date of the report, the maximum gas supply capacity from the Leviathan project is 1.2 BCF per day. As part of the progress of Phase 1 - Second Stage of the Leviathan project development plan and the increase of maximum production capacity to 2.1 BCF per day, the Leviathan partners are assessing acceleration of an investment in a third subsea pipeline from the wells to the platform (hereinafter - the **"Third Pipeline"**), as part of which the option of increasing production capacity is being assessed. It should be clarified that installation of the Third Pipeline is subject to a final investment decision (FID), which the Partnership believes will be made by the Leviathan partners in the first quarter of 2023. The investments in the installation of the Third Pipeline, together with the investments in the auxiliary systems of the platform, are estimated at USD 550 million (100%) over a period starting from the first quarter of 2023 until the expected operation of the Third Pipeline in the second quarter of 2025.

Forward-looking information: The Partnership's assessment regarding the date of a final investment decision (FID), the cost of installation of the Third Pipeline, and expected date of operation of the Third Pipeline are forward-looking information as defined in Section 32A of the Israeli Securities Law, 1968 (hereinafter - the **"Securities Law"**). These assessments are based,

inter alia, on information received from Chevron (the operator of the Leviathan project), based on the plan formulated for installation of the Third Pipeline, in terms of the costs, schedules and the very implementation of the said plan. Furthermore, the Partnership's assessment regarding the date of a final investment decision (FID) is based on information received from the other Leviathan partners, and depends, among other things, on adoption of appropriate decisions by the Leviathan partners. Such assessments may not materialize or may materialize in a materially different manner due to factors beyond the control of the Partnership and/or the Company, among other things, as a result of unexpected delays and/or unforeseen malfunctions and/or the materialization of one or more of the risk factors involved in the Partnership's operations, including as set out in Section 1.7.37 of the Periodic Report.

4. Referring to Section 1.7.4(J) of the Periodic Report - reserves and contingent resources in the area of the Leviathan leases and the discounted cash flow from the reserves and part of the contingent resources in the Leviathan leases

In the first three quarters of 2022, the Leviathan partners sold natural gas in a volume of 8.5 BCM. Based on this figure as well as the quantities sold during the fourth quarter of 2022 through to the approval date of the report, the Partnership estimates that the volume of natural gas that will be sold in 2022 as a whole is expected to reach 11.2 BCM, compared to 10.65 BCM, as included in the discounted cash flow figures of the Leviathan project as at December 31, 2021, which is included in the resources report attached to the Company's immediate report of February 20, 2022 (Ref. No.: 2022-01-020293), where the information appearing in said report is included herein by way of reference.

Forward-looking information: The Partnership's assessment regarding the volume of natural gas that is expected to be sold in 2022 is forward-looking information as defined as defined in Section 32A of the Securities Law. Such assessment is based mainly on actual production and supply figures to Leviathan project customers in 2022 through to the approval date of the report; therefore, there is not certainty that the assessment regarding the volume of natural gas that will be sold in 2022 as a whole will be realized.

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

Further to Section A.4 of the amendment to Part Three of Chapter A (Description of the Company's Operations) in the First Quarter 2022 Report and Second Quarter 2022 Report regarding the scheduled work plan of the Aphrodite reservoir in the Block 12 area in the EEZ of the Republic of Cyprus (hereinafter - the "**Aphrodite Reservoir**" and "**Block 12**", respectively), it should be noted that on September 15, 2022, the partners of the Aphrodite Reservoir adopted a resolution to approve a budget to drill the A-3 well in Block 12 (hereinafter in this subsection - the "**Well**"). For further information see the immediate reports issued by the Company on September 18, 2022 (Ref. No.: 2022-01-118354), where the information appearing in said report is included herein by way of reference.

It should be further noted that, on November 9, 2022, an amendment to the production sharing contract was signed, extending the date of the undertaking of the Block 12 partners to drill and complete the Well. For further information see the immediate reports issued by the Company on November 16, 2022 (Ref. No.: 2022-01-137965), where the information appearing in said report noted here by way of reference.

6. Section 1.7.8 to the Periodic Report - Yam Tethys project

Further to Section 5 in the amendment to Part Three of Chapter A (Description of the Company's Operations) in the first quarter report for 2022, regarding a budget for decommissioning the Yam Tethys project, it should be noted that in November 2022, an addition to the said budget was approved so that this budget amounts to USD 276.6 million (100%).

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

Further to Sections A.7 and A.6 in the amendment to Part Three of Chapter A (Description of the Company's Operations) in the first quarter report and Second Quarter 2022 Report, respectively, regarding the dispute with Energean with respect to payment of the balance of the consideration under the agreement for the sale of the rights in the Karish and Tanin leases (hereinafter in this subsection - the "**Agreement**") and the filing of a claim on the matter by the Partnership against Energean, it should be noted that on September 15, 2022 Energean filed a response and on October 3, 2022 the Partnership filed rejoinder. A pre-trial hearing has been set for April 19, 2023. It is further noted that in September 2022, Energean paid the periodic payment for 2022 under the Agreement, in lieu of the original payment date that was in March 2022, net of semi-annual interest. In view of the above, the Partnership will insist on its right to receive the balance of the annual interest costs from Energean as well.

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

On November 8, 2022, the Partnership and Uniper SE (hereinafter - "**Uniper**"), a German energy company with international operations, signed a non-binding MOU to assess potential cooperation for the supply of liquefied natural gas (LNG) to Europe and for the production of blue hydrogen and green hydrogen and its transportation from Israel to Europe. Under the said MOU, the parties will examine, among other things, the supply of natural gas from the Leviathan project to Germany, and natural gas liquefaction will be through one of the liquefaction facilities in Egypt or by the construction of an independent floating liquefaction facility (FLNG) in Israel, as part of the development of Phase 1 - Second Stage of the Leviathan project development plan. It should be noted that it is uncertain whether and when the cooperation between the parties will materialize, or whether the cooperation will lead to agreements with the Partnership for the sale of LNG.

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

Further to Section A.9 in the amendment to Part Three of Chapter A (Description of the Company's Operations) in the first quarter report for 2022, regarding the signing of an MOU in connection with arrangement of a mechanism to supply condensate from the Leviathan project using the systems of Energy Infrastructures Ltd. (hereinafter - "**PEI**"), it should be noted that on September 1, 2022, Chevron (as operator of the Leviathan project) and PEI signed a binding agreement for the supply of condensate from the Leviathan project through PEI's existing pipeline and its auxiliary systems. In November 2022, the Leviathan partners approved a budget of USD 27 million (100%) for implementation of the said agreement.

10. Referring to Section 1.7.13(B) - Export

Further to Section 1.7.13(B)(5)(e) of the Periodic Report and Section A.8 in the amendment to Part Three of Chapter A (Description of the Company's Operations) in the Second Quarter 2022 Report, on the publications of the Natural Gas Authority's requesting information on the ability and intention of the partners of the producing projects to export natural gas through the export pipeline of Israel Natural Gas Lines Ltd. (hereinafter - "**INGL**") to Jordan between Tel Kashish and the Sheikh Hussein crossing (hereinafter - the "**North Jordan Pipeline**") and via the onshore pipeline that is to be constructed in the Ramat Hovav-Nitzana area (hereinafter - the "**Nitzana Pipeline**"), it should be noted that on November 9, 2022, the Natural Gas Authority informed the Leviathan partners that in 2023 they will be allocated an additional 1 BCM export capacity for transmission in the North Jordan Pipeline on an interruptible basis, over and above the quantities transmitted through the North Jordan Pipeline under the export agreement to Jordan's National Electric Power Company (NEPCO). The Partnership believes that the said decision is not expected to affect the quantities supplied to Egypt through Jordan or the

transmission prices. It is further noted that as at the approval date of the report, the Natural Gas Authority's decision regarding the Nitzana Pipeline has not yet been made.

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

- A. Further to Section A.11 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 and report of the second quarter, respectively, 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 59 million par value Leviathan Bond Debentures for a consideration of USD 59 million, including accrued interest at the acquisition date.
- B. On November 11, 2022, Moody's reiterated its Ba3 rating, with a stable outlook, for the Leviathan Bond Debentures.

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

- A. On October 6, 2022, the Natural Gas Market Council (hereinafter - the "**Natural Gas Council**") published Resolution No. 2/2022 prescribing an annual amendment of the transmission tariffs from November 2022. The said price amendment stipulates that the capacity tariff will be NIS 0.6453 per MMBTU, reflecting a decrease of 17.6% compared to last year's tariff, the transmission tariff will be NIS 0.1109 per MMBTU, reflecting a decrease of 18%, and the flow tariff in the transmission system for consumers connected to the distribution network will be NIS 0.7902 per MMBTU, reflecting a decrease of 17.7%.³
- B. On October 6, 2022, the Natural Gas Council published a draft resolution on provisions for determination of a system-wide tariff, and its collection and management, for public comment. According to the said draft, the tariff is intended to finance projects to improve and develop the natural gas sector, and it applies to transmission consumers that pay transmission fees. In addition, the tariff will be independent, will be managed by INGL, and the Natural Gas Council will discuss and revise it once a year.⁴

Furthermore, on the same date the Natural Gas Council published a draft resolution on setting the system-wide tariff for 2023, which will enter into effect at the beginning of 2023, and is expected to be used for the following purposes: payment of compensation to a landowner under Section 28A of the Natural Gas Market Law, 2002; assessment of the effect of the developing hydrogen sector on the infrastructure of the natural gas sector; statutory planning for storage at the Rosh Zohar reservoir; and statutory planning of a redundancy line for Arad.⁵

- C. It should be noted that on November 1, 2022, the Leviathan partners filed their response to the said draft resolutions claiming that the draft resolutions should be rejected and the system-wide tariff in its proposed format should be canceled due to the reasons specified in the response.

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

Further to Section 1.7.34(b) of the Periodic Report and Section A.14 in the amendment to Part Three of Chapter A (Description of the Company's Operations) in the Second Quarter 2022 Report, regarding a claim filed by the Partnership and Chevron (hereinafter jointly - the "**Plaintiffs**") with the District Court of Jerusalem against the State of Israel (hereinafter in this subsection - the "**Defendant**"), which includes mainly a demand to restitution of royalties which were overpaid by the Plaintiffs to the Defendant, under

³ https://www.gov.il/BlobFolder/generalpage/ng_council_decisions/he/board_decision_2_2022.pdf

⁴ https://www.gov.il/BlobFolder/rfp/shimua_061022/he/shimua_061022.pdf

⁵ https://www.gov.il/BlobFolder/rfp/shimua_061022_2/he/shimua_061022_1.pdf

protest, in respect of revenues from gas supply agreements which were signed between natural gas consumers and the Yam Tethys partners, it should be noted that on November 14, 2022, a judgment was issued dismissing the claim, except in connection with the Plaintiffs' position regarding restitution of the interest amounts collected by the Defendant from the Plaintiffs, which are negligible, and obliging the Plaintiffs to pay the Defendant's expenses and attorney's fees. For further information, see Notes 7C and 4G to the financial statements attached below.

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

Further to Section A.15 in the amendment to Part Three of Chapter A (Description of the Company's Operations) in the Second Quarter 2022 Report, regarding the Partnership signing an MOU on the matter with Enlight Renewable Energy Ltd. (hereinafter - "**Enlight**"), it should be noted that on September 21, 2022, the general meeting of the holders of the Partnership's participation units resolved to authorize the Partnership to act and invest in renewable energy projects as part of the collaboration with Enlight. As at the approval date of the report, the parties are working to sign a detailed agreement.

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

- A. On September 29, 2022, the Partnership and the General Partner signed a conditional agreement with Capricorn Energy PLC (hereinafter - "**Capricorn**") for a business combination transaction of the Partnership and Capricorn. For further information see the immediate reports issued by the Company on September 29, 2022 (Ref. No.: 2022-01-122248), where the information appearing in said report noted here by way of reference. As at the approval date of the report, the parties are working to comply with the conditions precedent included in the said agreement in order to finalize the transaction.
- B. On October 6, 2022, a motion (for the sake of caution) was filed with the Tel Aviv District Court by the General Partner and NewMed Energy Trusts Ltd. (hereinafter in this subsection - the "**Limited Partner**"), for instructions on how to continue proceedings in view of the changes made to the original arrangement, and in that context exchange of the Partnership's participation units for ordinary shares of an existing company listed on the London Stock Exchange in lieu of a new company incorporated in the UK (hereinafter in this subsection - the "**Motion**"). On October 31, 2022, the court handed a decision granting the Motion. For more information, see the Company's immediate reports of October 9, 2022 and November 2, 2022 (Ref. Nos.: 2022-01-101469 and 2022-01-132061, respectively), the information appearing in which is included herein by way of reference.

16. Natural gas production data from the Leviathan Project for the first, second and third quarters of 2022:^{6,7}

		Q1	Q2	Q3
		Natural gas	Natural gas	Natural gas
Total output (attributable to equity holders of the Company) in the Period (in MMcf)		23,795	24,482	26,519
Average price per output unit attributable to the equity holders of the Company (USD per MCF)		5.67	6.50	6.56
Average royalties (any payment derived from the output of the producing asset, including the gross income from the oil asset) paid per output unit (attributable to the equity holders of the Company) (USD per MCF)	The State	0.61	0.68	0.81
	Third parties	0.15	0.16	0.19
	Interested parties	0.07	0.08	0.09
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	0.17
Average production costs per output unit (attributable to the equity holders of the Company) (USD per MCF). ^{8,9}		0.76	0.81	0.59
Average net intake per production unit (attributable to equity holders of the Company) (USD per MCF)		4.21	4.92	5.05

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 the oil assets of Ithaca Energy PLC, a public company traded on the London Stock Exchange (hereinafter - "Ithaca"),¹⁰ see the Company's immediate report of October 18, 2022 (Ref. No. 2022-01-102909), the details of which are included by way of a reference.

2. Referring to Section 1.8.4 to the Periodic Report - Ithaca's Oil Assets on the UK Continental Shelf in the North Sea Area

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 - Further to Section B2(A) in the amendment to Part Three of Chapter A (Description of the Company's Operations) in the Second Quarter 2022 Report, regarding implementation of Stage B of the development plan using the EOR (Enhanced Oil Recovery) method in the Captain field, Ithaca advised that on November 18, 2022 production started from the first well in which Stage B will be implemented.¹¹

⁶ 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.

⁷ As the total costs involved in the production of condensate during any one of the first three quarters 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, and all costs and expenses relating to condensate production were attributed to natural gas production.

⁸ Data only include current production costs, and do not include the reservoir's exploration and development costs or the Partnership's future tax payments.

⁹ It is noted that the average production costs per output unit include natural gas transmission system 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, USD 31.8 million in the second quarter of 2022 and USD 19.7 million in the third quarter of 2022 (100%).

¹⁰ The oil assets are held by Ithaca Oil and Gas Limited, a wholly owned subsidiary (indirectly held) of Ithaca.

¹¹ 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 Section 1.8.4(D)(1) and 1.8.4(D)(2) of the Periodic Report – GSA project - License P.2397 - the Courageous oil asset – On September 30, 2022, the license for the oil asset expired.
- C. Referring to Sections 1.8.4(D)(4) and 1.8.4(D)(5) of the Periodic Report – further to Section B2(b) in the update to the Part Three of Chapter A (Description of the Corporation's Business) in the Second Quarter 2022 Report about bringing forward the expected schedules for the start of production from the Abigail field, Ithaca announces that on October 20, 2022, production from the field started.

3. Referring to Section 1.8.6 to the Periodic Report - Exploration license in the negligible oil asset in Block 7, Canada (hereinafter, in this section - the “License”)

In September 2022, an innovative electromagnetic survey was conducted in the license area. The results of the survey significantly reduce the likelihood of existence of an oil and/or gas reservoir of economic value. The Company is studying the electromagnetic survey findings and its implications together with its professional advisors and the license partners, inter alia, with attention to the innovative nature of the survey, and will assess continuation of its activity in the license. It should be noted that the license is classified as a negligible oil asset to the Company's energy operations.

4. Referring to Section 1.8.18(b) to the Periodic Report - Financing - RBL Facility

As at September 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.

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

Further to Section B5 in the update to Part Three of Chapter A (Description of the Corporation's Business) in the Second Quarter 2022 Report, about a new levy for a limited period imposed by the UK government on gas and oil profits of companies operating in the North Sea, on November 17, 2022, the UK government published an update according to which, among other things, the limited levy will be revised such that starting from January 1, 2023, the rate of the levy will increase from 25% to 35%, and the period of the levy will be extended to March 31, 2028. For further information, see the Company's immediate report dated November 20, 2022 (Ref. No. 2022-01-138925), the details of which are included by way of a reference, and Note 10 to the financial statements attached below.

6. Referring to Sections 1.8.25 and 1.20.2 in Chapter A and Regulation 26A in Chapter D of the Periodic Report

Further to the Company's strategy and its announcement of the intention to complete an equity transaction in Ithaca by the end of 2022, on November 9, 2022, trading in Ithaca shares began on the premium listing of the London Stock Exchange under the symbol ITH, and on November 14, 2022, the admission procedures were completed (hereinafter - the “IPO” and the “**London Stock Exchange**”, respectively). In accordance with the listing rules that apply to companies that are traded on the premium listing of the London Stock Exchange, the Company and Ithaca signed a relationship agreement that regulates the relationship between them, and which includes, among other things, the Company's undertaking in its capacity as Ithaca's controlling shareholder, to comply with the corporate governance directives set out in the FCA's listing rules. Prior to completion of the Issuance, the CEO of the Company, Idan Wallace, was appointed as a director in Ithaca. The Company, Ithaca, and its managers will be subject to lock-up arrangements for certain periods, as is standard in issuances of this type. For further information, see the Company's announcements of October 18, 2022 (Ref. No: 2022-01-102903), October 25, 2022 (Ref. No.: 2022-01-105021), and November 9, 2022 (Ref. No.: 2022-01-134752), the details of which are included by way of a reference.

7. Production data for Ithaca's producing oil assets:¹²

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

	First quarter			Second quarter			Third quarter		
	Oil	Natural gas	Condensate	Oil	Natural gas	Condensate	Oil	Natural gas	Condensate
Total output in the period	1,659,600 BBL	-	-	1,726,936 BBL	-	-	1,531,590 BBL	-	-
Average price per output unit (attributable to equity holders of the Company) (USD per BOE)	89.7	-	-	112.2	-	-	115.1	-	-
Average production costs per output unit (USD per BOE)	22.5	-	-	19.4	-	-	19.5	-	-
Net production costs per output unit (USD per BOE)	67.2	-	-	92.8	-	-	95.6	-	-

¹² It should be clarified that subsequent to and due to completion of the acquisition transactions for Siccar Point Energy (Holdings) Limited (hereinafter - “**Siccar Point**” and the “**Siccar Point Transaction**”), 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, second and third quarters of 2022:

	First quarter			Second quarter			Third quarter		
	Oil	Natural gas	Condensate	Oil	Natural gas	Condensate	Oil	Natural gas	Condensate
Total output in the period	393,131 BBL	4,444 MMCF	129,708 BBL	223,589 BBL	2,455 MMCF	75,777 BBL	302,016 BBL	3,445 MMCF	115,917 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	101.6	206.8	58.3
Average production costs per output unit (USD per BOE)	8.9	8.9	8.9	22.7	22.7	22.7	11.6	11.6	11.6
Royalties to third parties (every payment derived from the output of the producing 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	5.3	5.3	5.3
Net production costs per output unit (USD per BOE)	85.4	170.1	60.9	80.1	74.3	39.8	84.7	190.0	41.4

C. Production data attributable to the Company's share in the Schiehallion reservoir for the first, second and third quarters of 2022:¹³

	First quarter			Second quarter			Third quarter		
	Oil	Natural gas	Condensate	Oil	Natural gas	Condensate	Oil	Natural gas	Condensate
Total output in the period	355,325 BBL	99 MMCF	-	347,134 BBL	81 MMCF	-	575,026 BBL	120 MMCF	-
Average price per output unit (attributable to equity holders of the Company) (USD per BOE)	111.2	208.7	-	125.1	107.0	-	101.2	185.2	-
Average production costs per output unit (USD per BOE)	24.0	24.0	-	22.6	22.6	-	11.0	11.0	-
Net production costs per output unit (USD per BOE)	87.2	184.7	-	102.5	84.4	-	90.1	174.2	-

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

	First quarter			Second quarter			Third quarter		
	Oil	Natural gas	Condensate	Oil	Natural gas	Condensate	Oil	Natural gas	Condensate
Total output in the period	367,727 BBL	3,478 MMCF	146,845 BBL	306,107 BBL	4,168 MMCF	51,004 BBL	264,120 BBL	3,880 MMCF	47,244 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	68.3	170.7	44.4
Average production costs per output unit (USD per BOE)	9.9	9.9	9.9	11.8	11.8	11.8	12.9	12.9	12.9
Net production costs per output unit (USD per BOE)	119.9	170.8	30.2	95.5	68.9	30.5	55.4	157.8	31.5

¹³ The Schiehallion reservoir was acquired in the Siccar Point Transaction, which was completed on June 30, 2022 and is effective from January 1, 2022.

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

	First quarter			Second quarter			Third quarter		
	Oil	Natural gas	Condensate	Oil	Natural gas	Condensate	Oil	Natural gas	Condensate
Total output in the period	319,983 BBL	715 MMCF	10,553 BBL	483,523 BBL	1,172 MMCF	22,924 BBL	454,050 BBL	1,101 MMCF	12,949 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	69.8	196.4	60.4
Average production costs per output unit (USD per BOE)	29.2	29.2	29.2	15.8	15.8	15.8	21.0	21.0	21.0
Net production costs per output unit (USD per BOE)	74.6	128.8	49.4	120.0	128.2	63.8	48.8	175.4	39.4

F. Production data attributable to the Company's share in the Mariner Area for the first, second and third quarters of 2022:¹⁴

	First quarter			Second quarter			Third quarter		
	Oil	Natural gas	Condensate	Oil	Natural gas	Condensate	Oil	Natural gas	Condensate
Total output in the period	203,875 BBL	-	-	177,679 BBL	-	-	200,995 BBL	-	-
Average price per output unit (attributable to equity holders of the Company) (USD per BOE)	96.7	-	-	109.2	-	-	94.0	-	-
Average production costs per output unit (USD per BOE)	25.6	-	-	22.5	-	-	14.0	-	-
Net production costs per output unit (USD per BOE)	71.1	-	-	86.7	-	-	80.0	-	-

¹⁴ 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, second and third quarters of 2022:

	First quarter			Second quarter			Third quarter		
	Oil	Natural gas	Condensate	Oil	Natural gas	Condensate	Oil	Natural gas	Condensate
Total output in the period	299,173 BBL	2,954 MMCF	117,881 BBL	267,574 BBL	2,048 MMCF	38,022 BBL	381,547 BBL	3,209 MMCF	89,319 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	72.0	203.3	59.2
Average production costs per output unit (USD per BOE)	11.7	11.7	11.7	15.9	15.9	15.9	11.9	11.9	11.9
Net production costs per output unit (USD per BOE)	119.8	154.6	22.2	106.2	103.6	51.2	60.1	191.4	47.3

H. Production data attributable to the Company's share in Other Operated Assets for the first, second and third quarters of 2022:

	First quarter			Second quarter			Third quarter		
	Oil	Natural gas	Condensate	Oil	Natural gas	Condensate	Oil	Natural gas	Condensate
Total output in the period	596,750 BBL	1,992 MMCF	37,624 BBL	527,529 BBL	2,012 MMCF	19,728 BBL	346,533 BBL	1,204 MMCF	10,867 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	84.6	208.3	64.2
Average production costs per output unit (USD per BOE)	39.5	39.5	39.5	36.2	36.2	36.2	60.3	60.3	60.3
Net production costs per output unit (USD per BOE)	73.3	157.6	57.4	76.9	72.3	37.3	24.3	148.0	3.9

Part Four – Matters Relating to the Company as a Whole

1. Referring to Section 1.14.2 to the Periodic Report - Financing

On November 23, 2022, the Company announced a 0.5% decrease in the interest rates of Debentures (Series B31 and B34) due to the upgrading of the Company. For more information, see the Company's immediate report dated November 23, 2022 (Ref. No. 2022-01-140701), the details of which are included herein by way of reference.

2. Referring to Section 1.14.3 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)

Following is a brief description of the main pledges provided in favor of the holders of the Company's debentures (Series B31 and B34) according to the amendments to the deeds of trust (Series B31 and B34):

Brief description	Information
399,202,389 participation units of NewMed Energy of NIS 1 par value, which constitute 34% of the participation units of NewMed Energy	See Note 18 to the Financial Statements for 2021 as published on March 30, 2022 (Ref. No. 2022-01-038020) (hereinafter in this table - the " Financial Statements / 2021 Report of the Board of Directors ").
25% of the share capital of Delek Israel	See the financial data attached below as Appendix C to the Report of the Board of Directors as at September 30, 2022.
25% of the share capital of Delek Properties	See the financial data attached below as Appendix C to the Report of the Board of Directors as at September 30, 2022.
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 Report of the Board of Directors as at September 30, 2022, "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 September 30, 2022.
100% of the issued and paid up share capital of Delek Overriding Royalty Leviathan Ltd.	See the financial data attached as Appendix C to the Report of the Board of Directors as at September 30, 2022. 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.

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

On November 22, 2022, S&P Maalot announced that it is upgrading the Company to a iIBBB+ rating with a stable outlook. For more information, see the Company's immediate report dated November 22, 2022 (Ref. No. 2022-01-140020), the details of which are included herein by way of reference. On November 28, 2022, Midroog published an issuer comment report, according to which the IPO and listing for trading of Ithaca shares on the London Stock Exchange and exercise of 10% of its shares, has had a positive effect on the Company's credit risk. For more information, see the Company's immediate report dated November 28, 2022 (Ref. No. 2022-01-142780), the details of which are included herein by way of reference.

4. Referring to Section 1.19 of the Periodic Report - Legal Proceedings; 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 Sections D and 3A. to the revision to Part Four of Chapter A (Description of the Company's Operation) in the report of the first and second quarters of 2022, respectively, 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 judgment dismissing the motion filed by the Delek Foundation with the Tel Aviv District Court under Section 345F of the Companies Law, 1999 (hereinafter in this subsection - the "Judgment") for ratification of donations given by it in the past to the Western Wall Heritage Foundation, it should be noted that on October 26, 2022, the Delek Foundation appealed the Judgment to the Supreme Court.]
- B.** Further to Section 1 of the Company's immediate report dated April 16, 2020 (Ref. No.: 2020-01-038463) and Note 23A.2(5) of the Company's Financial Statements regarding a motion for certification of a class action filed with the Tel Aviv-Jaffa District Court (Economic Department), on November 15, 2022, the court certified the class action against the Company and its officers on grounds under Sections 38C and 52K of the Securities Law, 1968. For more information, see the Company's immediate report dated November 16, 2022 (Ref. No. 2022-01-137971), the details of which are included herein by way of reference.

Delek Group Ltd.

Date: November 29, 2022

Names and titles of the signatories:

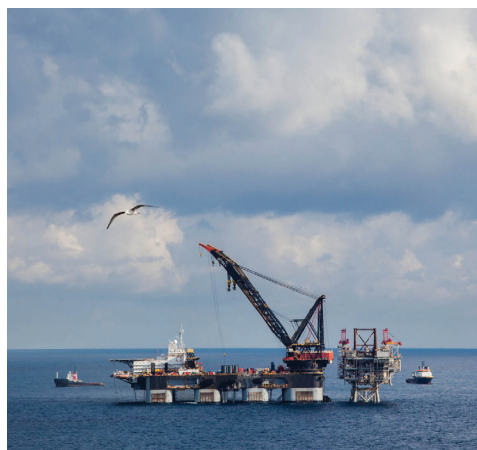
Ehud Erez, Chairman of the Board of Directors

Idan Wallace, Chief Executive Officer

Chapter

B

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



Delek Group Ltd.

Report of the Board of Directors on the State of the Company's Affairs **For the three-month period ended September 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 nine- and three-month period ended September 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 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 examining 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.
- On September 29, 2022, the Partnership and the general partner signed a conditional agreement with Capricorn Energy PLC (hereinafter - "Capricorn") for a business combination transaction of the Partnership and Capricorn. Capricorn holds several producing gas and oil assets in Egypt and several exploration and appraisal assets. Capricorn's shares are listed on the premium listing of the London Stock Exchange. Under the terms and conditions of the transaction, Capricorn will allot new shares to all holders of the participation units of the Partnership in consideration for the transfer of all the rights of the Partnership to Capricorn, based on the exchange ratio set out in the agreement. The shares of the consolidated company are expected to be dual-listed on the London Stock Exchange and the TASE. For further information about the transaction, see Note 3C(1) to the Consolidated Interim Financial Statements.
- The transaction will be brought before the general meeting of the holders of the Partnership's participation units for approval. It should be clarified that, at this stage, it is uncertain whether the Transaction can be completed, which is subject, among other things, to the receipt of regulatory approvals and fulfillment of the conditions precedent in the Transaction. It is also possible that even if the Transaction is completed, the Transaction may be realized in whole or in part and in a way that is significantly different to that described in said note.
- 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 on September 21, 2022 received the approval of the general meeting of the holders of the participation units in the Partnership. For more information, see Note 3C2 to the Consolidated Interim Financial Statements.
- As at the approval date of the financial statements, the maximum capacity for gas supply from the Leviathan project is 1.2 BCF per day. As part of the progress of Phase 1 - Second Stage of the Leviathan project development plan and the increase of maximum production capacity to 2.1 BCF per day, the Leviathan partners are assessing the acceleration of an investment in a third subsea pipeline from the wells to the platform (hereinafter - the "Third Pipeline"), in which context the option of increasing production capacity is being assessed. It should be clarified that installation of the Third Pipeline is subject to a final investment decision (FID), which the Partnership believes will be made by the Leviathan partners in the first quarter of 2023. The investments in the installation of the Third Pipeline, alongside the investments in the related systems of the platform, are estimated at USD 550 million (100%, the Partnership's share is USD 249 million), over a period starting from the first quarter of 2023 until the expected operation of the Third Pipeline in the second quarter of 2025.
- 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.
- In August 2022, NewMed Energy declared a distribution of profits in the amount of USD 50 million, which was distributed in September 2022. The Group's share in this amount is USD 27 million.
- Subsequent to the balance sheet date, on November 23, 2022, NewMed Energy declared a distribution of profits in the amount of USD 50 million, with the effective date for distribution being December 26, 2022; the profits will be distributed on January 19, 2023. 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 Plc (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.
- Subsequent to the balance sheet date, in November 2022, the Group completed the issuance and listing of Ithaca's shares on the premium listing of the London Stock Exchange. The shares were issued in consideration for 250 pence per share, a price which reflects a value of GBP 2.5 billion (USD 2.9 billion) for Ithaca. In the issuance, Ithaca raised a total of GBP 262.5 million (USD 303.6 million) in consideration for the allotment of 10.4% of its share capital. In addition, as is standard in similar transactions, the Group granted the issuance underwriters an option for over-allotment of another 15 million ordinary shares, and if this is exercised in full, the public will hold 11.9% of Ithaca's capital. All the issuance proceeds, including for the over allotment shares to be sold (if they are sold in full), in the amount of up to USD 345 million, will be paid to the Company, net of part of the issuance expenses.
- In February 2022, Ithaca completed a transaction for the acquisition of the full share capital of Marubeni Oil and Gas (UK) (Limited) (hereinafter – "Marubeni"), 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. 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 623 million (NIS 2 billion), mainly due to recognition of a deferred tax asset in the amount of USD 656 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, and in order 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"). Siccar Point also has substantial tax loss 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 at the acquisition date for the entire share capital of Siccar Point, net of the adjustments set out in the acquisition agreement (net of cash accrued by Siccar Point) amounted to USD 926 million, while in the third quarter of 2022 and subsequent to the balance sheet date, and as part of the consideration for the acquisition set out in the agreement, Ithaca also repaid the debentures previously issued by Siccar Point in the amount of USD 200 million. 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 draft valuation, in the reporting period, the Group recognized a profit from a bargain purchase in the amount of USD 704 million (NIS 2.5 billion), mainly due to the acquisition of a significant amount of carryforward losses for tax purposes, which Ithaca has the flexibility to utilize, and due to Ithaca's relative advantage in the development of the commercial discoveries of Siccar Point.

- 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, and production from the reservoir began in October 2022. In addition, in the reporting period, production from the Jade South field began.
- Subsequent to the balance sheet date, in November 2022, Ithaca successfully completed the installations required under Stage B of the enhanced oil recovery development plan (a method intended to improve the flow rate of oil by injecting polymers into the wells to increase viscosity) in the Captain field, and on November 18, 2022, production began from the first well in which Stage was implemented as aforesaid.
- In addition, Ithaca is continuing the pre-FID works in the development of the assets Cambo, Rosebank, Marigold, and Fotla, including verification of costs, engineering maturity, and commercial and contractual progress.
- The management of Ithaca confirmed that there has been no change in its forecasts for production figures, operating expenses, and short-term investments in its gas and oil assets, which are as follows:
 - Production data: 77-80 thousand BOE per day (kboe/d) in the fourth quarter of 2022, and 72-80 thousand BOE per day (kboe/d) in 2023.
 - Operating costs: USD 130-150 million in the fourth quarter of 2022, and USD 590-680 million in 2023.
 - Investments in oil and gas assets: USD 100-120 million in the fourth quarter of 2022, and USD 450-550 million in 2023.

Forward-looking information: the forecasts set out above for the estimated production data, operating expenses, and development expenses are forward-looking information as defined in Section 32A of the Israel Securities Law, 1968 (hereinafter – the "Securities Law"). The forecasts are based on various assumptions, among others things, for the quantities of oil and natural gas that will be produced, future market conditions and energy prices, operating costs, capital expenditure, decommissioning expenses, and taxes, and there is no certainty whether these will materialize. The quantities of oil and natural gas that will be produced in practice, the selling prices, and the various expenses may differ materially from the estimates and assumptions set out above, due to global macro-economic conditions, the supply and demand for energy products, operating and technical conditions, regulatory changes, and other factors that are not under the partial or full control of Ithaca or the Company.

Other Operations

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

As at September 30, 2022, the fair value of the loan was estimated at NIS 164 million, based on the valuation of 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, 13,987 Options (Series 11), 9,486 Options (Series 12), and 47,114 Options (Series 13) were exercised for 70,587 shares of NIS 1 par value each for a consideration of NIS 18 million. 152 Options (Series 13) expired.

As of September 30, 2022, the Company's issued and paid-up share capital totaled 18,358,080 shares of NIS 1 par value, each. Options in circulation: 484,771 Options (Series 11), 250,306 Options (Series 12), and 82,260 Options (Series 14).

- Subsequent to the balance sheet date and until shortly before the approval date of the financial statements, 4,108 Options (Series 11) and 109 Options (Series 12) were exercised into 4,217 Company's shares, in consideration for NIS 0.6 million.

Subsequent to the exercises, the issued and paid-up share capital of the Company is 18,362,297 shares of NIS 1 par value each.

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.

- In July 2022, Midroog upgraded the rating of the debentures issued by the Company from Baa3.il to Baa1.il with a stable outlook. In addition, subsequent to the balance sheet date, in November 2022, S&P Maalot upgraded the rating of the Company and the rating of Debentures (Series B31 and B34) issued by the Company to iBBB+ with a stable outlook. Following the upgraded rating, in accordance with the provisions of the deeds of trust of Debentures (Series B31 and B34), as from November 23, 2022 there was a decrease of 0.5% in the stated annual interest rate on the Debentures.

In view of the material proceeds received by the Company and its financial flexibility, due the completion of Ithaca's issuance, and the proceeds that the Company expects to receive in the future, the Company intends to fully redeem Debentures (Series B31 and B34) in circulation, and is contemplating the possibility of doing so partially by way of early redemption under the terms of the deeds and partial by way of an exchange tender offer against the new debenture series that will be issued, with the entire transaction being subject to full redemption of the series ahead of their repayment schedule.

Forward-looking information: the information set out above about the possibility that the Company will receive proceeds, and the possibility that the Company will make full and early repayment of Debentures (Series B31 and B34) in circulation, is forward-looking information as defined in Section 32A of the Israel Securities Law. The information is based on various assumptions, assessments and estimates, among other things, for the possibility that proceeds will be received by the Company's, for market conditions, various approvals including regulatory approvals, and other factors that are not under the full or partial control of the Company and there is no certainty whether they will materialize.

3. Results of Operations

- A) In the reporting period, the net profit attributable to the Company's shareholders amounted to NIS 4,765 million compared with a net profit of NIS 804 million in the corresponding 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). These effects were partially offset by accounting recording (non-cash) amounting to USD 323 million recognized in the third quarter of 2022, due to the adjustment of deferred tax balances after the new provisional levy on oil and gas operations in the North Sea came into effect. If these expenses had not been recorded, the results of the third quarter of 2022 would have been a profit of NIS 695 and NIS 5,864 million respectively.

After recording of the expenses from adjustment of deferred taxes due to the provisional levy in the North Sea, the third quarter of 2022, a loss in the amount of NIS 404 million attributable to the Company's shareholders was recognized, compared with NIS 223 million in the corresponding quarter last year.

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

	Q1 2022	Q2 2022	Q3 2022 **)	1-9/2022		Q1 2021	Q2 2021	Q3 2021	1-9/2021		2021
Oil and gas exploration and production in and around Israel 1)	130	215	256	601		166	159	157	482		613
Oil and gas exploration and production in the North Sea 2)	615	372	647	1,634		141	18	83	242		836
<u>Contribution of continuing operations before discontinued operations and capital and other gains</u>	745	587	903	2,235		307	177	240	724		1,449
Other profits (losses), net, in the oil and gas sector 3)	1,901	2,142	(1,206)	2,837		-	212	(16)	196		193
Finance, tax, and other income (expenses) 4)	(107)	(99)	(101)	(307)		(28)	(87)	(1)	(116)		(210)
<u>Net profit (loss) attributable to Company's shareholders</u>	<u>2,539</u>	<u>2,630</u>	<u>(* (404)</u>	<u>4,765</u>		<u>279</u>	<u>302</u>	<u>223</u>	<u>804</u>		<u>1,432</u>

*) Net of accounting for adjustments in respect of deferred taxes for the provisional levy in the North Sea, a net profit of NIS 695 million attributable to shareholders was recorded.

**) Retrospective adjustment (see Notes 3B(1) and 3B(2) to the Consolidated Interim Financial Statements).

- 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 year, not including a loss due to the adjustment of the deferred taxes after the levy on oil and gas profits in the North Sea came into effect, profit from a bargain purchase, 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, including, among other things, profit from a bargain purchase for the Marubeni and Siccar Point transactions, in the amount of USD 1,327 million (NIS 4.5 billion), a loss of USD 323 million (NIS 1.1 billion) due to adjusted deferred taxes after the oil and gas levy in the North Sea came into effect during the third quarter of 2022, and depreciation of oil and gas assets in Israel and the North Sea, net in the amount of NIS 215 million. In the corresponding period last year, a loss was recorded for non-recurring expenses incurred by Ithaca for refinancing in the amount of USD 36 million (NIS 108 million), a profit from reversal of the provision for impairment in the amount of USD 149 million (NIS 484 million), mainly for GSA, and on the other hand, a loss of NIS 170 million from the adjustment of the consideration from the sale of the Tamar reservoir. In 2021, a profit in the amount of USD 166 million (NIS 536 million) was recorded for reversal of the provision for impairment, a loss in the amount of NIS 208 million for adjustment of the consideration from the sale of the Tamar reservoir, and a loss in the amount of USD 36 million (NIS 108 million) for non-recurring expenses incurred by Ithaca for refinancing.
- 4) In the reporting period, including a loss in the amount of NIS 23 million from a change in the fair value of a seller's loan provided to the buyers of The Phoenix (compared with a profit of NIS 90 million in the corresponding period last year and a profit of NIS 81 million in 2021), mainly due to a decrease in the price of The Phoenix shares. In addition, in the corresponding period last year and in 2021, this item includes a profit in the amount of NIS 57 million on appreciation of a building in Herzliya and a profit in the amount of NIS 42 million from a transaction for the sale of a property in Acre.

B) Revenues from operating activities (NIS millions):

The Group's revenues in the reporting period amounted to NIS 9,032 million, compared with NIS 5,712 million in the corresponding period last year, as set out in the table below (NIS million):

	1-9/2022	1-9/2021	7-9/2022	7-9/2021		2021
Oil and gas exploration and production in and around Israel	2,404	2,506	875	942		3,231
Oil and gas asset development and production in the North Sea	6,619	3,200	2,172	1,115		4,736
Other segments including adjustments	9	6	1	1		6
Total revenues	9,032	5,712	3,048	2,058		7,973

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

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

	1-9/2022	1-9/2021	7-9/2022	7-9/2021		2021
Oil and gas exploration and production in and around Israel	1,592	1,284	583	277		1,544
Oil and gas asset development and production in the North Sea	7,373	1,803	1,176	876		2,939
Other segments including adjustments	20	107	(2)	118		147
Total operating profit	8,985	3,194	1,757	1,271		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:

	1-9/2022	1-9/2021	7-9/2022	7-9/2021		2021
Delek Israel	12	10	3	6		25
Delek Israel Properties	5	-	1	-		28
EMED	(11)	(12)	(4)	(4)		(15)
Others	5	3	3	-		6
Total	11	1	3	2		44

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

	1-9/2022	1-9/2021	7-9/2022	7-9/2021		2021
Revenue	9,032	5,712	3,048	2,058		7,973
Cost of revenues	3,871	2,916	1,080	958		3,664
Gross profit	5,161	2,796	1,968	1,100		4,309
General and administrative expenses	119	107	35	32		144
Group's share in earnings of operating associates, net	11	1	3	2		44
Other income (expenses), net	3,932	504	(179)	201		421
Operating profit	8,985	3,194	1,757	1,271		4,630
Finance income	201	129	60	14		138
Finance expenses	(1,319)	(1,464)	(382)	(597)		(1,933)
Profit before taxes on income	7,867	1,859	1,435	688		2,835
Income tax	2,597	1,025	1,655	682		1,247
Profit (loss) from continuing operations	5,270	834	(220)	6		1,588
Profit (loss) from discontinued operations, net	(31)	93	-	(2)		84
Net profit (loss)	5,239	927	(220)	4		1,672
Attributable to -						
Company's shareholders	4,765	804	(404)	223		1,432
Non-controlling interests	474	123	184	(219)		240
	5,239	927	(220)	4		1,672

F) Movement in comprehensive income (NIS million):

	1-9/2022	1-9/2021	7-9/2022	7-9/2021		2021
Net profit (loss)	5,239	927	(220)	4		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	-	-		86
Gain (loss) from cash flow hedges	(77)	(1,381)	984	(767)		(1,426)
Transfer to profit or loss for cash flow hedges	324	225	(245)	148		472
Adjustments from translation of financial statements of foreign operations (*)	1,439	8	196	(117)		(349)
Total other comprehensive income (loss) from continuing operations	1,686	(1,062)	935	(736)		(1,217)
Total comprehensive income (loss)	6,925	(135)	715	(732)		455
Attributable to:						
Company's shareholders	6,068	(288)	496	(469)		351
Non-controlling interests	857	153	219	(263)		104
	6,925	(135)	715	(732)		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, there was an appreciation of 13.9% in the USD exchange rate against the NIS, compared with an appreciation of 0.4% in the corresponding 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 3%.

4. Financial Position

The Group's total assets increased in the reporting period by NIS 13.8 billion from a total of NIS 31.4 billion in assets as at December 31, 2021 to a total of NIS 45.2 billion as at September 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 at September 30, 2022 compared with December 31, 2021

Cash and cash equivalents and short-term investments

As at September 30, 2022, the Group had cash and short-term investment balances of NIS 2 billion, consisting mainly of balances of NIS 0.2 billion in the Company and staff companies, NIS 0.5 billion in Ithaca and NIS 1.2 billion in NewMed Energy.

Current and non-current assets

The Group's current assets (other than cash and short-term investments), without assets held for sale, amounted to NIS 4.4 billion as at September 30, 2022, compared with NIS 2.1 billion as at December 31, 2021. The increase is mainly due to an increase in trade receivables in the amount of NIS 1.6 billion alongside an increase in revenues, and from an increase of NIS 0.6 billion in payables due reclassification of current maturities of debts to long-term and an increase in operations.

As at September 30, 2022, the Group's non-current assets totaled NIS 38.9 billion compared to total non-current assets as at December 31, 2021, which amounted to NIS 27.3 billion, a NIS 11.6 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

Total financial liabilities (to banks and others and to holders of debentures and convertible debentures) in the consolidated balance sheet amount to NIS 16.9 billion as at September 30, 2022, compared with NIS 14.9 billion as at 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 September 30, 2022:⁽¹⁾

	NIS millions
<u>Liabilities</u>	
Debentures	3,972
Loan from a subsidiary for securitization of overriding royalties	308
Bank and other loans	287
Other liabilities	144
Total liabilities	4,711
<u>Assets</u>	
Cash and deposits	58
Restricted deposits	93
Deposit in the debentures' escrow account	96
Loans (*)	300
Other receivables	62
Treasury shares (**)	328
Investment in a financial asset	4
Total assets	941
Financial debt, net	3,770

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

Borrower	Loan amount (NIS millions)
Loans to Ithaca	105
Seller's loan - The Phoenix transaction	164
Others	31
Total	300

(**) As at September 30, 2022 and the approval date of the financial statements, Delek Financial Investments (2012) Limited Partnership, a wholly owned subsidiary partnership of Delek Group, holds 586,422 shares of NIS 1 par value each of Delek Group.

It should be noted that shortly before the approval date of the financial statements, the net financial debt of the Company and the staff companies decreased to NIS 3,062 million, mainly due to the increase in cash and financial investments following the receipt of the consideration from the Ithaca issuance, as set out above.

As at September 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 2.5 billion, mainly due to the fact that under the current liabilities in a subsidiary of the company (Ithaca), a liability is included for financial derivatives.

The Company's management presented to the Company's board of directors all the projected sources that may be used by the Company and its staff companies to fulfill its obligations in the next two years, including the Company's cash balance intended for operating activities and repayment of its obligations, which include the Company's proceeds from completion of Ithaca's IPO subsequent to the balance sheet

⁽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.

date and the Company's projected proceeds from distribution of profits and dividends from the Partnership and investees.

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 for inflation and the increase in the interest rate and their potential effect on the Company's business

Following global macroeconomic developments, including the Covid-19 pandemic and the Russia-Ukraine war, inflation rates have risen in Israel, the United States, and other countries, including the UK. 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 effect (positive or negative) 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 should be noted that as at September 30, 2022, Ithaca has RBLs in the amount of USD 650 million (NIS 2.3 billion) at variable interest rates based on changes in the SOFR rate, for which Ithaca is exposed to interest rate fluctuations, however, in the reporting period, the increase in the SOFR rate did not have a material effect 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 decommissioning liabilities, contingent consideration declared in business combinations and financial assets measured at fair value using the discounted cash flow method. For more information regarding sensitivity tests 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, 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 Results 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):

	1-9/2022	1-9/2021	7-9/2022	7-9/2021		2021
Revenues from gas sales, net of royalties	2,404	2,506	875	942		3,231
Operating profit (adjusted for impairment and losses on disposal of oil and gas assets (100%))	1,724	1,694	667	670		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%)	(132)	(410)	(84)	(393)		(410)
EBITDA	2,016	2,155	762	892		2,659
Finance expenses, net	(187)	(419)	(46)	(150)		(598)
Net profit attributable to Group shareholders	594	304	228	(36)		362
Gas sales from Tamar, in BCM (*)(**)	-	6.2	-	2.8		7.8
Gas sales from the Leviathan Project, in BCM (*)	8.5	8.3	3.0	2.8		10.7
Total Gas sales in BCM (*)	8.5	14.5	3.0	5.6		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. 1-9 - (BCM)				
	<u>Israel</u>	<u>Jordan</u>	<u>Egypt</u>	<u>Total</u>
Q1	0.9	0.7	1.1	2.7
Q2	0.8	0.6	1.4	2.8
Q3	1.2	0.7	1.1	3.0
Total	2.9	2.0	3.6	8.5

2021. 1-9 - (BCM)				
	<u>Israel</u>	<u>Jordan</u>	<u>Egypt</u>	<u>Total</u>
Q1	1.2	0.7	0.8	2.7
Q2	1.4	0.6	0.8	2.8
Q3	1.1	0.8	0.9	2.8
Total	3.7	2.1	2.5	8.3

2021 - (BCM)				
	<u>Israel</u>	<u>Jordan</u>	<u>Egypt</u>	<u>Total</u>
	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, the operating results of oil and gas exploration in and around Israel amounted to a net profit of NIS 594 million compared with a net profit of NIS 304 million in the corresponding 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 and a decrease in finance expenses, net. It should be further noted that in the corresponding period last year, a loss was recorded due to the adjustment of the sale price in the binding agreement for the sale of the Tamar reservoir assets, signed in September 2021, and for the recording of tax expenses against the revised liability for deferred taxes for the differences between the depreciation in oil and gas assets recognized for tax purposes and the depreciation recorded in the financial statements in the amount of NIS 111 million.

In the third quarter of 2022, the operating results of oil and gas exploration in and around Israel amounted to a net profit of NIS 228 million, compared with a net profit of NIS 36 million in the corresponding quarter last year. The increase in profit was mainly due to the reasons described above.

Revenues from gas and oil sales, net of royalties

In the reporting period, revenues from the sale of oil and gas, net of royalties, amounted to NIS 2,404 million compared with an amount of NIS 2,506 million in the corresponding period last year.

In the third quarter of 2022, revenues from gas and oil sales net of royalties amounted to NIS 875 million, compared to NIS 942 million in the same quarter 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 for the sale of the Tamar reservoir in December 2021. In addition, in the reporting period, there was an increase of 25% in revenues from the Leviathan project, mainly due to the increase in the price of gas 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 the price on the local market.

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

In the reporting period, operating profit amounted to NIS 1,724 million compared with NIS 1,694 million in the corresponding period last year.

The increase in operating profit is mainly due to an increase in revenues from the Leviathan project, which is partially offset by recognition of expenses for royalties to the state and third parties in the amount of NIS 47 million as set out in Note 7C to the Consolidated Interim Financial Statements, in addition to a 20% increase in the cost of gas production, which is mainly due to an increase in transportation expenses and gas transmission costs to Egypt due, among other things, to the increase in the quantity of gas sold to Egypt. It is noted that during 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.

Finance expenses, net

In the reporting period, net finance expenses amounted to NIS 187 million, compared with net finance expenses of NIS 419 million in the corresponding 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 168 million, compared with revaluation of NIS 65 million in the corresponding period last year.

In the third quarter of 2022, net finance expenses amounted to NIS 46 million, compared with NIS 150 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):

	1-9/2022	1-9/2021	7-9/2022	7-9/2021		2021
Net profit from NewMed Energy's financial statements	1,093	646	410	(158)		1,317
Indirect holdings (%)	54.7%	54.7%	54.7%	54.7%		54.7%
Group's share	598	353	225	(87)		720
Adjustment of the Group's share in respect of deferred taxes recorded the Partnership	-	266	-	266		266
Income tax	-	(55)	(5)	8		(50)
Revenues from overriding royalties	41	29	18	10		43
Results of direct holdings in Yam Tethys (4.44%)	(8)	-	(7)	-		(9)
Amortization of excess costs *)	(28)	(27)	(10)	(8)		(35)
Adjustments for the sale of Tamar**)	-	(224)	-	(215)		(524)
General and administrative expenses	(12)	(22)	5	(6)		(30)
Finance income (expenses), net	3	(16)	2	(4)		(19)
Contribution to net profit from oil and gas exploration and production operations	594	304	228	(36)		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)	September 30, 2022	December 31, 2021
Cash and cash equivalents	139	45
Other current assets	842	411
Investments in oil and gas exploration and production	4,119	2,785
Other assets, net (mainly deferred taxes)	1,517	580
Goodwill	830	767
Total assets	7,447	4,588
Short-term liability for derivatives	547	419
Current liabilities (trade and other payables)	1,152	579
Bank loans, RBL, and debentures	1,261	955
Loan from the Delek Group	30	32
Other long-term liabilities (mainly in respect of an asset retirement obligation)	2,055	1,612
Equity attributable to Ithaca's shareholders	2,402	991
Total liabilities and equity	7,447	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)	1-9/2022	1-9/2021	7-9/2022	7-9/2021		2021
Revenues from oil and gas sales	2,001	984	638	345		1,470
Cost of sales (excluding depreciation expenses and inventory movements)	(448)	(322)	(137)	(116)		(429)
Depreciation expenses	(400)	(287)	(131)	(94)		(404)
Change in oil and gas inventory	(127)	(57)	16	(9)		6
Gross profit	1,026	318	386	126		643
Gain from a bargain purchase	1,324	-	-	-		-
Reversal of impairment (impairment) of gas and oil assets and goodwill	(76)	249	9	147		277
Other expenses, net	(62)	(11)	(42)	(2)		(4)
Finance expenses, net	(191)	(189)	(60)	(100)		(240)
Profit before tax	2,021	367	293	171		676
Tax expenses	(671)	(178)	(449)	(91)		(276)
Net profit (loss) attributable to Ithaca's shareholders	1,349	189	(156)	80		400
Output in the reporting period (KBoe)	18,602	15,006	6,532	4,791		21,395
Average daily output (KBoed)	68	55	71	52		56

EBITDAX

(USD millions)	1-9/2022	1-9/2021	7-9/2022	7-9/2021		2021
Revenues, net *)	1,818	885	676	321		1,418
Operating expenses	(355)	(281)	(123)	(101)		(371)
General, administrative, exchange rate differentials, and other expenses	(25)	(6)	(19)	-		(11)
EBITDAX	1,438	598	534	220		1,036

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

Additional data concerning Ithaca's results**Revenues**

In the reporting period, Ithaca's revenues amounted to USD 2,001 million, compared with revenues of USD 984 million in the corresponding period last year. Revenue in the third quarter of 2022 amounted to USD 638 million, compared with NIS 345 million in the corresponding quarter last year.

Output in the reporting period amounted to 18.6 MMbbl (a daily average of 68 Mbbl) compared with 15 MMbbl (average daily output of 55 Mbbl) in the corresponding period last year. The increase in output is due, among other things, to additional output from the assets acquired in the Marubeni, Siccar Point, and Summit transactions in the report period, the average daily output of which in the third quarter of 2022 amounted to 10 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 corresponding period last year.

Average daily output in the third quarter of 2022 amounted to 71 thousand barrels per day compared with 52 thousand barrels per day in the corresponding period last year. The increase in average daily output in the current quarter is mostly due to the reasons set out above.

Gas and oil prices were up sharply in the reporting period compared to their 2021 prices. The average selling price of oil increased to USD 104 per barrel in the reporting period, compared with USD 67 per barrel in the corresponding period last year, and the average selling price of gas increased to 213 pence per therm compared with 75 pence per 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 resulted in a decrease of USD 466 million in revenues in the reporting period, compared with a decrease of USD 80 million in revenues in the corresponding period last year.

Cost of sales

The cost of revenue (not including depreciation expenses and inventory movement) in the reporting period amounted to USD 448 million, compared with USD 322 million in the corresponding period last year. The increase in the cost of revenue is partially due to the acquisition of Marubeni and Siccar Point assets as aforesaid, as well as the increase in fuel prices. However, the average cost per barrel in the reporting period was USD 19 (similar to the average cost per barrel in the corresponding period last year).

Cost of revenues (not including depreciation expenses and inventory movement) in the third quarter of 2022 amounted to USD 137 million compared with USD 116 million in the corresponding period last year; the increase in the quarter was due to the reasons described above.

Depreciation and amortization amounted to USD 400 million in the reporting period, compared with USD 287 million in the corresponding period last year, and depreciation per barrel increased in the reporting period to USD 21 per barrel, compared with USD 19 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 September 30, 2022, Ithaca had open hedging transactions on oil prices amounting to 9.8 mmbbl, of which swap and put transactions amounted to 4.4 mmbbl at an average hedged price of 63 USD/barrel, and the remainder - in collar transactions at a minimum hedged price of 67 USD/barrel and a maximum hedged price of 90 USD/barrel. In addition, as of September 30, 2022, Ithaca had open hedging transactions on gas prices amounting to 237 MMBtu, of which swap and put transactions amounted to 178 MMBtu at an average hedged price of 167 pence/therm, and the remainder - in collar transactions at a minimum hedged price of 195 pence/therm and a maximum hedged price of 353 USD/barrel. The value of these hedges as of September 30, 2022 reflects a liability of USD 637 million (NIS 2,257 million). It should be noted that as at September 30, 2022, Ithaca has hedging transactions for 50% of the 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 1,327 million (NIS 4.5 billion). The profit from bargain purchases was due to the acquisition of losses for tax purposes, most of which could not be utilized by the sellers; Ithaca's relative advantage in the development of commercial oil and gas discoveries in the North Sea; and for the Marubeni transaction, due to the increase in oil and gas prices between the date the transaction terms and conditions were determined and the date of its completion.

It should be noted that the valuations of the acquired assets and liabilities of the companies are provisional and, under accepted accounting principles, will be completed within 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

Net finance expenses in the reporting period amounted to USD 191 million compared with USD 189 million in the corresponding 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

In July 2022, legislation was passed, 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 (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 updated the deferred tax balances expected to be utilized in the levy period, to reflect the new tax rate. This update resulted in a decrease, net of deferred tax asset, in the amount of USD 189 million, while expenses in the amount USD 323 million (NIS 1.1 billion) were recognized in profit or loss and revenues in the amount of USD 134 million (NIS 0.5 billion) were recognized in the reserve for cash flow hedging transactions through other comprehensive income.

For information about the announcement of the UK government on an additional adjustment to the oil and oil levy subsequent to the balance sheet date, see Note 10D to the Consolidated Interim Financial Statements.

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 17 million. In addition, in May 2022, Delek Israel distributed a dividend in the amount of NIS 50 million, with the Group's share amounting to NIS 12.5 million. In addition, subsequent to the balance sheet date, in November 2022, Delek Israel declared an additional dividend distribution totaling NIS 50 million (Company's share – NIS 12.5 million).

B. Market Risk Exposure and Management

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

As of	USD representative exchange rate In NIS	GBP representative exchange rate	Known CPI In points *)
September 30, 2022	3.543	3.9619	107.00
September 30, 2021	3.229	4.3395	102.29
December 31, 2021	3.11	4.203	102.49
Rate of change during the period	%	%	%
1-9/2022	13.9	(5.7)	4.4
1-9/2021	0.4	(1.2)	2.2
Q3 2022	1.2	(6.5)	1.2
Q3 2021	(1.0)	(3.9)	0.8
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 balance sheet date, see Chapter A to the Report of the Board of Directors.

D. Dedicated disclosure for debenture holders

Information on debentures issued by the Company as at September 30, 2022:

Series	Issue date (including expansions)	Par value Original	Par value balance as of September 30, 2022	Nominal interest rate	Linkage	Carrying amount September 30, 2022	Interest accrued in the books as of September 30, 2022	Repayment dates (principal/ interest)	Stock exchange value as of September 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%,	Non-linked	1,375	8	Interest payments on August 20 and February 20 and principal payments on February 20 in each of the years 2020-2025	1,377	Hermetic Trust (1975) Ltd. 113 Hayarkon St. Tel Aviv Tel: 03-5274867 - 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% and as from November 23, 2022 - 4.98%	Non-linked	1,294	18	Interest payments on June 30 and December 31 and principal payments on December 31 (except December 31, 2022) in each of the years 2020-2028	1,266	Hermetic Trust (1975) Ltd. 113 Hayarkon St. Tel Aviv Tel: 03-5274867 - Dan Avnon
B35	6/2021 7/2021 11/2021	837	837	7.2%	Non-linked	837	15	Interest payments on June 30 and December 31 and principal payments on December 31 in each of the years 2023-2027	878	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	11	Interest payments on April 30 and October 31 (first payment - April 30, 2022) and principal payments on April 30 in each of the years 2024-2028	440	Reznick Paz Nevo Trusts 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. On November 22, 2022, S&P Maalot upgraded the rating of the Company and the rating of Debentures (Series B31 and B34) issued by the Company to iBBB+ with a stable outlook. For additional details, see the Company's immediate report dated November 22, 2022 (Ref. No. 2022-01-140020), the information appearing in which is included herein by way of reference.

Following the upgraded rating, in accordance with the provisions of the deeds of trust of Debentures (Series B31 and B34), as from November 23, 2022 there was a decrease of 0.5% in the stated annual interest rate on the Debentures.

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 September 30, 2022, the Company's shareholders' equity stands at NIS 8,690 billion.
 - Until the publication date of the first quarter financial statements in 2021, the grounds for immediate repayment specified in the deeds of trust concerning the equity to asset ratio - shall not apply. For statements from the second quarter of 2021 and until the annual 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 September 30, 2022, the said ratio stands at 63.1%.

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:

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 September 30, 2022, the Company is in compliance with its obligation.

The Company undertook to comply with the following financial covenants:

- The Company's equity will not fall below NIS 1,600 million for two consecutive quarters according to its audited or reviewed consolidated financial statements, as applicable. As of September 30, 2022, the capital attributable to the Company's shareholders amounted to NIS 8,690 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 September 30, 2022, this ratio amounts to 63.1%.
- 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%.

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:

As long as the Debentures (Series B36) are not repaid in full, the Company will not create a floating charges on any of its assets and rights, existing or future, in favor of any third party,

to secure any debt or liability, unless it applies one of the following alternatives: 1) obtaining the prior consent of the holders of Debentures (Series B36); 2) when creating the floating lien in favor of the third party, creation of a floating charge in favor of the holders of Debentures (Series B36), which is at the same degree pari passu according to the Company's debts to the third party and the debenture holders; 3) providing an automatic bank guarantee in favor of the holders of Debentures (Series B36), all in accordance with the terms and conditions set out in the deed of trust. As of September 30, 2022, the Company is in compliance with its obligation.

The Company undertook to comply with the following financial covenants:

- The Company's equity will not fall below NIS 1,600 million for two consecutive quarters according to its audited or reviewed consolidated financial statements, as applicable. As of September 30, 2022, the capital attributable to the Company's shareholders amounted to NIS 8,690 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 September 30, 2022, this ratio amounts to 63.1%.

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**Company employees**

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

Sincerely,

Ehud Erez

Chairman of the Board

Idan Wallace

Chief Executive Officer

Signing date: November 29, 2022

Appendix A to the Report of the Board of Directors

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

		October 1, 2022 to December 31, 2022	2023	2024	2025	2026	2027 onwar d	Total
Debtentures	Principal	-	770	834	834	379	1,101	3,918
	Interest	79	218	172	125	89	86	769
Loans from banks and others (*)	Principal	-	-	108	-	-	-	108
	Interest	3	9	1	-	-	-	13
Total		82	997	1,115	959	468	1,187	4,808

(*) 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)

	September 30 2022	September 30 2021	December 31 2021
	Unaudited		Audited
<u>Current assets</u>			
Cash and cash equivalents	345	292	205
Short-term investments	9,566	5,364	3,907
Royalties and other receivables	2,227	1,022	1,527
Total current assets	12,138	6,678	5,639
<u>Non-current assets</u>			
Long-term investments	11,482	16,939	14,110
Loan to controlling shareholder	86,637	80,855	81,752
Assets in respect of ORRI	187,817	193,388	192,147
Deferred Taxes	1,043	1,210	1,333
Total non-current assets	286,979	292,392	289,342
	<u>299,117</u>	<u>299,070</u>	<u>294,981</u>
<u>Current liabilities</u>			
Other payables	4,742	4,931	1,615
Total current liabilities	4,742	4,931	1,615
<u>Non-current liabilities</u>			
Debentures	175,082	171,545	172,392
Total non-current assets	175,082	171,545	172,392
<u>Equity</u>			
Share capital	295	295	295
Share premium	127,275	127,275	127,275
Retained earnings	(8,277)	(4,976)	(6,596)
Total equity	119,293	122,594	120,974
	<u>299,117</u>	<u>299,070</u>	<u>294,981</u>

Condensed Statements of Comprehensive Income (Dollars in thousand)

	Nine-month period ended September 30,		Three-month period ended September 30,		Year ended December 31,
	2022	2021	2022	2021	2021
	Unaudited		Unaudited		Audited
Revenue from overriding royalties	11,299	8,926	4,335	3,184	11,361
General and administrative expenses	607	638	199	214	910
Depletion	4,330	4,317	1,535	1,445	5,557
Operating profit	6,362	3,971	2,601	1,525	4,894
Finance expenses	(13,044)	(12,635)	(4,350)	(4,240)	(16,855)
Finance income	5,045	4,598	1,758	1,555	6,144
Loss before income tax	(1,637)	(4,066)	9	(1,160)	(5,817)
Tax benefit (Income tax)	(44)	342	(601)	272	473
Loss and total comprehensive loss	(1,681)	(3,724)	(592)	(888)	(5,344)

Condensed Statements of Changes in Equity (Dollars in thousand)

	Share capital	Share premium	Retained earnings	Total
	Unaudited			
<u>Balance as at January 1, 2022 (Audited)</u>	295	127,275	(6,596)	120,974
Total comprehensive Loss	-	-	(1,681)	(1,681)
<u>Balance as at September 30, 2022</u>	<u>295</u>	<u>127,275</u>	<u>(8,277)</u>	<u>119,293</u>

	Share capital	Share premium	Retained earnings	Total
	Unaudited			
<u>Balance as at January 1, 2021 (Audited)</u>	295	127,275	(1,252)	126,318
Total comprehensive Loss	-	-	(3,724)	(3,724)
<u>Balance as at September 30, 2021</u>	<u>295</u>	<u>127,275</u>	<u>(4,976)</u>	<u>122,594</u>

	Share capital	Share premium	Retained earnings	Total
	Unaudited			
<u>Balance as at July 1, 2022</u>	295	127,275	(7,685)	119,885
Total comprehensive Loss	-	-	(592)	(592)
<u>Balance as at September 30, 2022</u>	<u>295</u>	<u>127,275</u>	<u>(8,277)</u>	<u>119,293</u>

	Share capital	Share premium	Retained earnings	Total
	Unaudited			
<u>Balance as at July 1, 2021 (Audited)</u>	295	127,275	(4,088)	123,482
Total comprehensive Loss	-	-	(888)	(888)
<u>Balance as at September 30, 2021</u>	<u>295</u>	<u>127,275</u>	<u>(4,976)</u>	<u>122,594</u>

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

Condensed Statements of Cash Flows (Dollars in thousand)

	Nine-month period ended September 30,		Three-month period ended September 30,		For the year ended
	2022	2021	2022	2021	2021
		Unaudited		Unaudited	Audited
Cash Flows - Current Operations:					
Loss for the year	(1,681)	(3,724)	(592)	(888)	(5,344)
Adjustments for:					
Depletion and depreciation	7,021	6,774	2,468	2,292	8,861
Deferred Taxes	290	(322)	622	(278)	(445)
Increase in Long-term investments	(72)	(16)	(75)	(4)	(37)
Changes in assets and liabilities items:					
Decrease (increase) in trade and other receivables	(770)	306	36	300	(199)
Increase in loan to controlling shareholder	(4,885)	(4,562)	(1,647)	(1,538)	(6,089)
Increase (decrease) in trade and other payables	3,196	4,053	3,411	3,637	738
Net cash deriving used for current operations	3,099	2,509	4,223	3,521	(2,515)
Cash Flows - Investment Activity:					
Repayment of loans to controlling shareholders	-	41	-	-	671
Long-term deposit in bank deposits	2,700	2,690	-	(10)	5,540
Short-term deposit in bank deposits	(5,659)	(5,038)	(4,344)	(3,406)	(3,581)
Net cash deriving from (used for) investment activity	(2,959)	(2,307)	(4,344)	(3,416)	2,630
Cash Flows - Financing Activity:					
Bond offering (net of issue costs)	-	87	-	-	87
Net cash deriving from financing activity	-	87	-	-	87
Increase in cash and cash equivalents	140	289	(121)	105	202
Cash and cash equivalents balance at the beginning of the period	205	3	466	187	3
Cash and cash equivalents balance at the end of the period	345	292	345	292	205
Annex A - Additional Information on Cash Flows:					
Interest paid	6,745	-	-	-	13,489
Taxes paid	625	-	-	-	-

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		
	September 30		As at December 31
	2022	2021	2021
	Unaudited		Audited
	NIS millions		
<u>Current assets</u>			
Cash and cash equivalents	86	240	57
Trade receivables	1,329	990	1,029
Other receivables	104	99	54
Related party	12	77	-
Taxes receivable	12	23	5
Inventory	131	133	147
	1,674	1,562	1,292
<u>Non-current assets</u>			
Long-term loans, deposits and other debit balances	37	34	34
Right-of-use assets	1,318	1,299	1,274
Investments in and loans to associates	15	4	4
Investment property	22	21	22
Property, plant and equipment, net	445	401	417
Goodwill	15	15	15
Other intangible assets, net	5	7	6
Deferred taxes	24	24	33
	1,881	1,805	1,805
	3,555	3,367	3,097

	As at September 30		As at December 31
	2022	2021	2021
	Unaudited		Audited
	NIS millions		
<u>Current liabilities</u>			
Bank borrowings	493	264	226
Trade payables	661	377	423
Taxes payable	2	12	6
Related party	-	21	-
Current maturities for lease	167	144	151
Other payables	334	474	383
	1,657	1,292	1,189
<u>Non-current liabilities</u>			
Lease liability	1,198	1,176	1,150
Loans from banks	128	195	178
Decrease in liabilities for employee benefits, net	7	7	7
Provisions and other liabilities	9	12	15
Deferred taxes	2	2	2
	1,344	1,392	1,352
<u>Equity attributable to the Company's shareholders</u>			
Share capital	216	216	216
Share premium	216	366	216
Retained earnings	80	60	83
Other capital reserves	41	40	40
	553	682	555
<u>Non-controlling interests</u>	1	1	1
<u>Total equity</u>	554	683	556
	3,555	3,367	3,097

Delek The Israel Fuel Corporation Ltd.Consolidated Statements of Income

	For the 9 months ended September 30		For the 3 months ended September 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	NIS millions				
Sales revenues	4,840	2,718	1,874	1,053	3,821
Cost of sales	4,259	2,162	1,688	857	3,084
Gross profit	581	556	186	196	737
Selling and operating expenses for gas stations	410	369	142	131	488
General and administrative expenses	56	50	20	13	70
Company's share in the earnings of associates, net	-	1	-	-	1
Other revenues (expenses), net	3	-	(1)	-	1
Operating profit	112	138	25	52	179
Finance income	19	3	5	2	6
Finance expenses	68	46	15	16	60
Profit before taxes on income	63	95	15	38	125
Income tax	16	24	3	10	31
Net profit	47	71	12	28	94
Attributable to:					
Company's shareholders	47	71	12	28	94
Non-controlling interests	-	-	-	-	-
	47	71	12	28	94

Delek The Israel Fuel Corporation Ltd.Consolidated Statements of Comprehensive Income

	For the 9 months ended September 30		For the 3 months ended September 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	NIS millions				
Net profit	47	71	12	28	94
Other comprehensive income (loss) (net of tax effect):					
<u>Amounts classified or reclassified to profit or loss:</u>					
Gain (loss) from cash flow hedges	1	-	(8)	-	-
Total other comprehensive income (loss)	1	-	(8)	-	-
Total comprehensive income	48	71	4	28	94
Attributable to:					
Company's shareholders	48	71	4	28	94
Non-controlling interests	-	-	-	-	-
	48	71	4	28	94

Delek Israel Properties (D.P.) Ltd.Consolidated Statements of Financial Position

	As at September 30 2022	As at September 30 2021	As at December 31 2021
	NIS thousands		
	Unaudited		Audited
Assets			
Current assets:			
Cash	24,522	10,839	17,983
Pledged deposit	-	-	253
Short-term financial assets	-	61	74
Trade receivables	1,004	615	771
Other receivables	1,161	1,420	9,891
Related parties	660	17,150	9,603
Total current assets	27,347	30,085	38,575
Non-current assets:			
Investment property	1,071,326	796,609	948,645
Property, plant and equipment	975	379	565
Land inventory	142,419	49,123	80,933
Equity-accounted investments	121,084	118,975	129,454
Deferred taxes	-	1,112	-
Other long-term receivables	770	-	1,266
Total non-current assets	1,336,574	966,198	1,160,863
Total assets	1,363,921	996,283	1,199,438
Liabilities and equity			
Current liabilities:			
Bank borrowings	50,013	360,000	438,466
Current maturities of long-term loans	7,500	-	-
Accounts payable	191	437	278
Other payables	8,670	31,197	18,422
Liability for levies and fees	5,853	7,100	7,100
Related parties	8,991	65,526	7,241
Total current liabilities	81,218	464,260	471,507
Non-current liabilities:			
Liabilities to banking corporations	597,148	-	59,536
Deferred credit for transaction with a company under common control	38,159	46,657	44,165
Other long-term payables	382	573	573
Deferred taxes	27,681	-	26,481
Total non-current liabilities	663,370	47,230	130,755
Total liabilities	744,588	511,490	602,262
Equity:			
Equity attributable to shareholders of the Company	617,991	484,793	597,176
Non-controlling interests	1,342	-	-
Total equity	619,333	484,793	597,176
Total liabilities and equity	1,363,921	996,283	1,199,438

Delek Israel Properties (D.P.) Ltd.Consolidated Statements of Comprehensive Income

	For the nine months ended September 30	For the period from April 1, 2021 to September 30	For the three months ended September 30		For the period from April 1, 2021 to December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	NIS thousands				
Rental income	38,189	20,993	13,314	10,345	32,841
Assets operating expenses	(866)	(435)	(331)	(115)	(624)
Gross profit	37,323	20,558	12,983	10,230	32,217
Appreciation (impairment) of investment property	(3,565)	84	1,215	2,236	126,945
General and administrative expenses	(8,378)	(3,582)	(2,601)	(2,143)	(7,100)
Other expenses	(157)	(1,105)	(526)	-	(1,168)
Group's share in profits of equity- accounted companies	6,498	2,966	1,126	1,567	17,147
Operating profit	31,721	18,921	12,197	11,890	168,041
Finance expenses	(10,005)	(3,786)	(4,062)	(2,160)	(11,397)
Finance income	2,105	1,034	408	646	1,335
Finance expenses, net	(7,900)	(2,752)	(3,654)	(1,514)	(10,062)
Profit before taxes on income	23,821	16,169	8,543	10,376	157,979
Taxes on income	(2,940)	(1,555)	(1,610)	(1,452)	(30,982)
Net and comprehensive income	20,881	14,614	6,933	8,924	126,997
Total net and comprehensive income for the period attributable to:					
Company's shareholders	20,815	14,614	6,906	8,924	126,997
Non-controlling interests	66	-	27	-	-
	20,881	14,614	6,933	8,924	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:	<p>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.</p> <p>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.</p>
The appraiser used the following valuation model:	Discounted cash flows
Assumptions applied by the appraiser in the valuation, in accordance with the valuation model:	<p>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 pence/therm in 2023, 68 pence per therm unit in 2024, and up to 56 pence per therm in 2026.</p>

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:	<p>The valuation was performed by Kroll, a global consulting company 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.</p> <p>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.</p>
The appraiser used the following valuation model:	Discounted cash flows
Assumptions applied by the appraiser in the valuation, in accordance with the valuation model:	<p>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 pence/therm in 2022, 188 pence/therm in 2023, 121 pence/therm in 2024, and reaching 78 pence/therm in 2026.</p>

Chapter

C

Financial Statements



Delek Group Ltd.

Consolidated Interim Financial Statements as at September 30, 2022

Unaudited

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Consolidated Balance Sheets

	As at September 30		As at
	2022	2021	December 31
	Unaudited		Audited
	NIS millions		
<u>Current assets</u>			
Cash and cash equivalents	793	1,781	1,147
Short-term investments	1,193	1,630	596
Trade receivables	2,748	1,222	1,170
Other receivables	977	246	327
Current tax assets	70	21	25
Financial derivatives	46	4	15
Inventory	525	347	552
	6,352	5,251	3,832
Assets held for sale	-	3,575	224
	6,352	8,826	4,056
<u>Non-current assets</u>			
Long-term loans, deposits, and receivables	2,642	3,291	3,110
Other financial assets	17	7	-
Investments in associates	488	520	472
Investment property	356	327	327
Right-of-use assets	240	20	12
Investments in exploration and production of oil and gas assets, net	26,990	19,919	19,660
Property, plant and equipment, net	130	79	130
Goodwill	3,303	2,814	2,707
Deferred taxes	4,703	1,465	927
	38,869	28,442	27,345
	45,221	37,268	31,401

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

Consolidated Balance Sheets

	As at September 30		As at
	2022	2021	December 31
	Unaudited		Audited
	NIS millions		
<u>Current liabilities</u>			
Debentures including current maturities of debentures	2,105	8,898	350
Trade payables	811	675	702
Other payables	3,419	1,425	1,824
Current maturities of lease liabilities	160	12	10
Current tax liabilities	439	140	652
Financial derivatives	1,939	1,181	1,305
	8,873	12,331	4,843
Liabilities attributable to assets held for sale	-	230	74
	8,873	12,561	4,917
<u>Non-current liabilities</u>			
Loans from banks and others	2,334	2,080	1,151
Debentures	12,414	9,729	13,199
Convertible liabilities	176	160	154
Lease liability	350	2	-
Financial derivatives	444	700	124
Provisions and other liabilities	6,834	5,176	5,343
Deferred taxes	1,814	1,784	1,325
	24,366	19,631	21,296
<u>Equity</u>			
Share capital	19	19	19
Share premium	2,553	2,444	2,534
Proceeds for conversion options and warrants	17	32	18
Retained earnings	7,814	2,421	3,049
Adjustments from translation of financial statements of foreign operations	(69)	(934)	(1,125)
Capital reserve from transactions with non-controlling interests	(684)	(681)	(684)
Other reserves	(646)	(1,095)	(893)
Treasury shares	(314)	(314)	(314)
<u>Total equity attributable to shareholders of the Company</u>	8,690	1,892	2,604
<u>Non-controlling interests</u>	3,292	3,184	2,584
<u>Total equity</u>	11,982	5,076	5,188
	45,221	37,268	31,401

November 29, 2022

Approval date of the financial
statementsEhud Erez
Chairman of the
Board of DirectorsIdan Wallace
Chief Executive
OfficerTamir Polikar
Executive VP & CFO

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

Consolidated Statements of Income

	For the 9 months ended September 30		For the 3 months ended September 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	NIS millions				
	(Other net earnings (loss) per share)				
Revenue	9,032	5,712	3,048	2,058	7,973
Cost of revenues	3,871	2,916	1,080	958	3,664
Gross profit	5,161	2,796	1,968	1,100	4,309
General and administrative expenses	119	107	35	32	144
Group share in profits of operating associates, net	11	1	3	2	44
Other income (expenses), net	3,932	504	(179)	201	421
Operating profit	8,985	3,194	1,757	1,271	4,630
Finance income	201	129	60	14	138
Finance expenses	(1,319)	(1,464)	(382)	(597)	(1,933)
Profit before taxes on income	7,867	1,859	1,435	688	2,835
Income tax	2,597	1,025	1,655	682	1,247
Profit (loss) from continuing operations	5,270	834	(220)	6	1,588
Profit (loss) from discontinued operations, net	(31)	93	-	(2)	84
Net profit (loss)	5,239	927	(220)	4	1,672
Attributable to:					
Shareholders of the Company	4,765	804	(404)	223	1,432
Non-controlling interests	474	123	184	(219)	240
	5,239	927	(220)	4	1,672
<u>Net earnings (loss) per share attributable to shareholders of the Company (NIS)</u>					
Basic earnings (loss) from continuing operations	270.7	41.8	(22.8)	13.0	78.5
Basic earnings (loss) from discontinued operations	(1.7)	5.5	-	(0.1)	4.9
Basic earnings (loss)	269	47.3	(22.8)	12.9	83.4
Diluted earnings (loss) from continuing operations	258.8	40.0	(22.8)	12.5	75.1
Diluted earnings (loss) from discontinued operations	(1.7)	5.2	-	(0.1)	4.7
Diluted earnings (loss)	257.1	45.2	(22.8)	12.4	79.8

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

Consolidated Statements of Comprehensive Income

	For the 9 months ended September 30		For the 3 months ended September 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	NIS millions				
Net profit (loss)	5,239	927	(220)	4	1,672
Other comprehensive income (loss) (net of tax effect):					
Amounts not reclassified to profit or loss:					
Profit from investment in equity instruments designated to be measured at fair value through other comprehensive income	-	86	-	-	86
Total	-	86	-	-	86
Amounts classified or reclassified to profit or loss under specific conditions:					
Gain (loss) from cash flow hedges	(77)	(1,381)	984	(767)	(1,426)
Transfer to profit or loss for cash flow hedges	324	225	(245)	148	472
Adjustments from translation of financial statements of foreign operations	1,439	8	196	(117)	(349)
Total	1,686	(1,148)	935	(736)	(1,303)
Total other comprehensive income (loss) from continuing operations	1,686	(1,062)	935	(736)	(1,217)
Total comprehensive income (loss)	6,925	(135)	715	(732)	455
Attributable to:					
Shareholders of the Company	6,068	(288)	496	(469)	351
Non-controlling interests	857	153	219	(263)	104
	6,925	(135)	715	(732)	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
	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
Net profit	-	-	-	4,765	-	-	-	-	4,765	474
Other comprehensive income	-	-	-	-	1,056	-	247	-	1,303	383
Total comprehensive income	-	-	-	4,765	1,056	-	247	-	6,068	857
Exercise of options for shares	-	19	(1)	-	-	-	-	-	18	-
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(149)
Balance as at September 30, 2022	19	2,553	17	7,814	(69)	(684)	(646)	(314)	8,690	3,292

*) Mainly capital reserve for cash flow hedges.

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

Net profit attributable to non-controlling interests	474
Adjustments from translation of financial statements of foreign operations	383
Total comprehensive income attributable to non-controlling interests	857

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
	Unaudited									
	NIS millions									
Balance as of January 1, 2021 (audited)	18	2,341	38	1,589	(933)	(677)	24	(314)	2,086	3,164
Net profit	-	-	-	804	-	-	-	-	804	123
Other comprehensive income (loss)	-	-	-	-	(1)	-	(1,091)	-	(1,092)	30
Total comprehensive income (loss)	-	-	-	804	(1)	-	(1,091)	-	(288)	153 **)
Issue of shares and warrants	-	58	2	-	-	-	-	-	60	-
Exercise of options for shares	1	45	(8)	-	-	-	-	-	38	-
Transactions with non-controlling interests	-	-	-	-	-	(4)	-	-	(4)	4
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(147)
Disposal of revaluation reserve due to disposal of an asset	-	-	-	28	-	-	(28)	-	-	-
Adjusted dividend and tax receipts for prior years for non-controlling interests	-	-	-	-	-	-	-	-	-	10
Balance as at September 30, 2021	19	2,444	32	2,421	(934)	(681)	(1,095)	(314)	1,892	3,184

*) Mainly capital reserve for cash flow hedges.

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

Net profit attributable to non-controlling interests	123
Profit for financial assets measured at fair value through other comprehensive income, net	20
Adjustments from translation of financial statements of foreign operations	10
Total comprehensive income attributable to non-controlling interests	153

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
	Unaudited									
	NIS millions									
Balance as at July 1, 2022 *)	19	2,535	18	8,218	(229)	(688)	(1,386)	(314)	8,173	3,153
Net profit	-	-	-	(404)	-	-	-	-	(404)	184
Other comprehensive income	-	-	-	-	160	-	740	-	900	35
Total comprehensive income	-	-	-	(404)	160	-	740	-	496	219
Exercise of options for shares	-	18	(1)	-	-	-	-	-	17	-
Transactions with non-controlling interests	-	-	-	-	-	4	-	-	4	(4)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(76)
Balance as at September 30, 2022	19	2,553	17	7,814	(69)	(684)	(646)	(314)	8,690	3,292

*) Retrospective adjustment – see Notes 3B(1) and 3B(2).

**) Mainly capital reserve for cash flow hedges.

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

Net profit attributable to non-controlling interests	184
Adjustments from translation of financial statements of foreign operations	35
Total comprehensive income attributable to non-controlling interests	219

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
	Unaudited									
	NIS millions									
Balance as at July 1, 2021	19	2,396	30	2,170	(861)	(680)	(448)	(314)	2,312	3,590
Net profit (loss)	-	-	-	223	-	-	-	-	223	(219)
Other comprehensive income (loss)	-	-	-	-	(73)	-	(619)	-	(692)	(44)
Total comprehensive income (loss)	-	-	-	223	(73)	-	(619)	-	(469)	(263) **)
Issue of shares and warrants	-	48	2	-	-	-	-	-	50	-
Transactions with non-controlling interests	-	-	-	-	-	(1)	-	-	(1)	1
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(147)
Disposal of revaluation reserve due to disposal of an asset	-	-	-	28	-	-	(28)	-	-	-
Adjusted dividend and tax receipts for prior years for non-controlling interests	-	-	-	-	-	-	-	-	-	3
Balance as at September 30, 2021	19	2,444	32	2,421	(934)	(681)	(1,095)	(314)	1,892	3,184

*) Mainly capital reserve for cash flow hedges.

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

Loss attributed to non-controlling interests	(219)
Adjustments from translation of financial statements of foreign operations	(44)
Total comprehensive income (loss) attributable to non-controlling interests	(263)

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
	Unaudited									
	NIS millions									
Balance as at January 1, 2021	18	2,341	38	1,589	(933)	(677)	24	(314)	2,086	3,164
Net profit	-	-	-	1,432	-	-	-	-	1,432	240
Other comprehensive loss	-	-	-	-	(192)	-	(889)	-	(1,081)	(136)
Total comprehensive income (loss)	-	-	-	1,432	(192)	-	(889)	-	351	104 **)
Issue of shares and warrants, net	-	130	6	-	-	-	-	-	136	-
Exercise of options for shares	1	45	(8)	-	-	-	-	-	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)
Balance as at December 31, 2021	19	2,534	18	3,049	(1,125)	(684)	(893)	(314)	2,604	2,584

*) 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 9 months ended September 30		For the 3 months ended September 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	NIS millions				
<u>Cash flows from operating activities</u>					
Net profit (loss)	5,239	927	(220)	4	1,672
Adjustments to reconcile cash flows from operating activities (a)	439	1,569	2,389	830	1,932
Net cash from operating activities	5,678	2,496	2,169	834	3,604
<u>Cash flows from investing activities</u>					
Investments in property, plant and equipment and investment property	(4)	-	1	-	(3)
Proceeds from sale of property, plant and equipment and investment property	11	28	-	18	160
Proceeds from the acquisition of oil and gas assets	-	-	-	-	184
Tax paid in connection with the sale of oil and gas investments and assets	(262)	(27)	-	-	(27)
Proceeds from disposal of financial assets, net	-	123	-	-	123
Short-term investments, net	(223)	(971)	(349)	(469)	67
Change in long-term bank deposits, net	13	(8)	9	(1)	69
Investments in oil and gas exploration and assets	(1,447)	(762)	(423)	(318)	(1,104)
Cash received from disposal -of oil and gas assets (b)	34	-	-	-	3,014
Cash used for acquisition of control in companies and operations (c)	(3,397)	-	-	-	-
Proceeds from disposal of an investment in investees	-	113	-	-	113
Repayment of loans to others, net	43	115	43	-	121
Net cash provided by (used in) investing activities	(5,232)	(1,389)	(719)	(770)	2,717

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

Consolidated Statements of Cash Flows

	For the 9 months ended September 30		For the 3 months ended September 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	NIS millions				
<u>Cash flows from financing activities</u>					
Receipt of long-term loans	2,691	2,099	-	1,995	2,099
Repayment of long-term loans	(1,649)	(2,497)	(505)	(1,704)	(3,394)
Dividend paid to non-controlling interests	(568)	(86)	(161)	-	(416)
Revised tax paid to non-controlling interests in previous years	-	10	-	3	-
Issue of shares and warrants (net of issuance costs)	-	60	-	50	136
Exercise of warrants	18	38	17	-	38
Repayment of lease liabilities	(48)	-	(48)	-	(13)
Payment of contingent / deferred consideration	(207)	-	(156)	-	-
Issuance of debentures (less issuance expenses)	-	2,778	-	2,263	3,286
Repayment of debentures	(1,113)	(2,116)	(754)	(1,766)	(7,264)
Net cash from (used for) financing activities	(876)	286	(1,607)	841	(5,528)
<u>Translation differences on cash balances of foreign operations</u>					
	76	(14)	2	(7)	(48)
<u>Increase (decrease) in cash and cash equivalents</u>					
	(354)	1,379	(155)	898	745
<u>Cash and cash equivalents at the beginning of the period</u>					
	1,147	402	948	883	402
<u>Cash and cash equivalents at the end of the period</u>					
	793	1,781	793	1,781	1,147

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

Consolidated Statements of Cash Flows

	For the 9 months ended September 30		For the 3 months ended September 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	NIS millions				
(a) <u>Adjustments for presentation of statement of cash flows from operating activities</u>					
Adjustments to profit or loss line items:					
Depreciation, depletion, amortization, and impairment of assets	2,034	842	597	313	797
Deferred taxes, net	2,078	936	1,137	641	896
Impairment (appreciation) of loans granted, net	22	(90)	(1)	-	(86)
Profit from the sale of property, plant and equipment, real estate and investments, net	(4)	(10)	-	-	(10)
Group's share of results of associates, net (1)	2	(1)	(3)	(2)	(6)
Loss from the sale of oil and gas assets	15	-	15	-	517
Change in fair value of financial assets and financial derivatives, net	(109)	(294)	(51)	(58)	(374)
Appreciation (impairment) of long-term liabilities, net	(127)	96	(39)	43	(18)
Cost of share-based payment	2	-	2	-	-
Gain from a bargain acquisition	(4,457)	-	-	-	-
Change in value of investment property, net	(15)	(45)	-	(57)	(108)
			-		
Changes in operating assets and liabilities:			-		
Increase in trade receivables	(512)	(415)	(696)	(208)	(419)
Increase in receivables and debit balances	(103)	(64)	(97)	(90)	(63)
Decrease (increase) in inventory	(187)	(3)	(34)	49	(232)
Increase in other assets, net	16	(10)	35	(3)	(22)
Increase (decrease) in trade payables	633	323	-	(26)	393
Increase in other accounts payable	1,151	304	1,524	228	667
	439	1,569	2,389	830	1,932
(1) Net of dividends received	13	-	-	-	38

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

Consolidated Statements of Cash Flows

	For the 9 months ended September 30		For the 3 months ended September 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	NIS millions				
(b) <u>Cash received due to disposal of oil and gas assets</u>					
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)
	<u>34</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,014</u>
(c) <u>Investment derecognized for acquisition of control in companies and operations, net</u>					
Working capital (excluding cash and cash equivalents), net	(6)	-	-	-	-
Investments in oil and gas exploration and production	(6,235)	-	-	-	-
Deferred taxes	(4,724)	-	-	-	-
Goodwill	(217)	-	-	-	-
Debentures	700	-	-	-	-
Financial derivatives	336	-	-	-	-
Asset retirement liability	1,289	-	-	-	-
Deferred and contingent consideration	1,003	-	-	-	-
Gain from a bargain acquisition	4,457	-	-	-	-
	<u>3,397</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

Consolidated Statements of Cash Flows

	For the 9 months ended September 30		For the 3 months ended September 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	NIS millions				
(d) <u>Significant non-cash activities</u>					
Investment in oil and gas assets against liability	367	445	367	445	264
Dividend to non-controlling interests	-	147	-	147	142
Consideration not yet received from sale	-	-	-	-	33
(e) <u>Additional information on cash flows</u>					
Cash received during the period for:					
Interest	590	738	34	215	1,442
Taxes	211	134	156	35	145
Cash received by the Company during the period for:					
Interest	30	24	25	-	13
Dividends	413	-	-	-	38
Taxes	21	6	4	-	6

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 September 30, 2022 and for the nine- 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 September 30, 2022, the Brent oil price was USD 88 per barrel and the gas price was 353 pence/therm (compared with USD 78 per barrel and 155 penny/therm, respectively, as at December 31, 2021). Shortly before the approval date of the financial statements, the Brent oil price is USD 83 per barrel and the gas price is 320 pence/therm.

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 September 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 2.5 billion, mainly due to the fact that under the current liabilities in a subsidiary of the company (Ithaca), a liability is included for financial derivatives. The Company's management believes, based on its cash flow forecast and based on the sources and alternatives available to it, that the Company has sufficient resources to allow it to meet its obligations and comply with its financial covenants in the foreseeable future.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**A. Preparation format of the Consolidated Interim Financial Statements**

The Consolidated Interim Financial Statements have been prepared in accordance with generally accepted accounting principles for the preparation of interim financial statements as prescribed in IAS 34, *Interim Financial Reporting* and in accordance with the disclosure provisions of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

The main accounting policy and calculation methods applied in the preparation of these Consolidated Interim Financial Statements are consistent with those applied in the preparation of the Annual Financial Statements, except for the following:

B. Key factors underlying the uncertainty in the estimate

Further to Note 2B to the Annual Financial Statements, regarding critical estimates, it should be noted that in the reporting period, 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 are provisional and in accordance IFRS 3, will be completed within up to one year from completion of the transaction. Accordingly, the Group recognized a profit in the amount of USD 623 million (NIS 2 billion) from the bargain acquisition and of USD 704 million (NIS 2.5 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.

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)C. First-time application of amendments to existing accounting standards (cont.)3. Amendment to IFRS 3, Business Combinations (Reference to the Conceptual Framework)

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

The Amendment is applicable to business combinations with an acquisition date starting from January 1, 2022.

NOTE 3 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS**A. Transaction for the sale of shares of The Phoenix Holdings Ltd. (hereinafter - "The Phoenix")**

Further to Note 10E(1) to the Annual Financial Statements, regarding the sale of The Phoenix shares and regarding the loan provided to the acquirers and components of future contingent consideration (hereinafter, jointly - the "Future Consideration"), measured in the financial statements at fair value, as of September 30, 2022, the Company, through an external appraiser, measured the value of the Future Consideration. As at September 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 during the reporting period 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 32% and the annual dividend return was estimated at 5%. In view of the risk neutrality, the discount rate used in the valuation is a risk-free interest rate curve throughout the loan period.

In April and September 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, the buyers repaid an amount of NIS 77 million of the senior loan. Subsequent to the repayment, the balance of the senior loan amounts to NIS 417 million.

B. Investment in Ithaca Energy plc. shares (hereinafter - "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 Acquiree 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 Acquiree 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.

Notes to the Consolidated Interim Financial Statements

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 (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 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/therm in 2022, 99 pence/therm unit in 2023, 68 penny/therm in 2024, and reaching 56 penny/therm 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 according to the provisions of IFRS 3, it will be completed within one year from the transaction completion date. It should be noted that in the third quarter of 2022, Ithaca adjusted the estimate for the contingent consideration arising at the acquisition date in the amount of USD 22 million (NIS 77 million), and as a result the profit arising from the bargain acquisition increased by the same amount. On the other hand, financing expenses in the second quarter of 2022 increased by USD 22 million (NIS 77 million), without an effect on the Group's total net profit. Comparative figures were restated accordingly.

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, adjusted in the third quarter of 2022:

	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	656	2,099
	<u>1,191</u>	<u>3,810</u>
Current liabilities	(5)	(16)
Non-current liabilities (mainly decommissioning liabilities)	(253)	(809)
	<u>(258)</u>	<u>(825)</u>
Identifiable assets, net	933	2,985
Net of - gain from the bargain acquisition **)	<u>(623) (*)</u>	<u>(1,993)</u>
Total acquisition consideration	<u>310 (*)</u>	<u>992</u>

*) Retrospective adjustment – see above.

**) The gain from a bargain acquisition in the amount of USD 623 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 Acquiree 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.

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.)**Composition of acquisition cost:

	<u>USD millions</u>	<u>NIS millions</u>
Consideration paid in cash	108	346
Present value of deferred consideration	68	217
Fair value of contingent consideration ***)	<u>134 *)</u>	<u>429</u>
	<u>310</u>	<u>992</u>

*) Adjusted retrospectively – see above.

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

As from the transaction completion date and until September 30, 2022, Marubeni contributed an amount of USD 230 to pre-tax profit and USD 283 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 in addition to this amount and as part of the acquisition consideration set out in the agreement, in the third quarter of 2022 and subsequent to the balance sheet date, Ithaca made early repayment of the debentures of Siccar Point, which existed on completion of the transaction, in the amount of USD 200 million.

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.

Notes to the Consolidated Interim Financial Statements

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 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/therm in 2022, 188 pence/therm unit in 2023, 121 pence/therm in 2024, and reaching 78 penny/therm 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 according to the provisions of IFRS 3, it will be completed within one year from the transaction completion date. It should be noted that in the third quarter of 2022, Ithaca adjusted the estimate for the amount of deferred taxes arising at the acquisition date in the amount of USD 38 million (NIS 134 million), and as a result the profit arising from the bargain acquisition increased by the same amount. In the second quarter of 2022, net profit, comprehensive income, and retained earnings increased by USD 38 million (NIS 134 million). Comparative figures were adjusted accordingly.

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, adjusted in the third quarter of 2022:

	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	784 *)	2,744 *)
	<u>2,278</u>	<u>7,974</u>
Current liabilities	(40)	(140)
Debentures	(200) **)	(700) **)
Financial derivatives	(96)	(336)
Non-current liabilities (mainly decommissioning liabilities)	(121)	(424)
	<u>(457)</u>	<u>(1,600)</u>
Identifiable assets, net	1,821	6,374
Net of - gain from the bargain acquisition ***)	<u>(704) *)</u>	<u>(2,464)</u>
Total acquisition consideration	<u>1,117</u>	<u>3,910</u>

*) Retrospective adjustment – see above.

**) In the reporting period and subsequent to the balance sheet date, Ithaca repaid the balance of the debentures.

***) Following the acquisition, Ithaca recognized a profit from the bargain acquisition in an amount of USD 704 million (NIS 2.5 billion). As part of the transaction, Ithaca acquired significant carryforward tax losses (amounting to 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 should also be noted that Siccar Point's portfolio includes rights in undeveloped commercial discoveries, such as Cambo (70%) and Rosebank (20%), the development of which will require substantial investments. Ithaca, which 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.

NOTE 3 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (CONT.)**B. Ithaca (cont.)****2. Business combination - Siccar Point Energy (Holdings) Limited (cont.)**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%

As from the completion date and until September 30, 2022, Siccar Point contributed a total of USD 69 million to the profit before tax and a total of USD 79 million to the income.

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 (according to 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 according to the provisions of IFRS 3, it 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.)**B. Ithaca (cont.)****4. Issuance of Ithaca shares on the London Stock Exchange**

Subsequent to the balance sheet date, in November 2022, the Group completed the issuance and listing of the shares of Ithaca, a wholly owned subsidiary (linked) of the Group holding 100% of the operations of Ithaca Group (hereinafter - "Ithaca"), on the premium listing of the London Stock Exchange. Under the pricing, the price of each ordinary share of Ithaca was set at 250 pence per share. Based on the offering price, the market value of Ithaca as at the start of conditional trading is GBP 2.5 billion (USD 2.9 billion).

Under the issuance, 105 million new shares of Ithaca were offered for sale at a total value of GBP 262.5 million (USD 303.6 million), representing 10.4% of the issued share capital of Ithaca at the issuance date. In addition to the issuance of the new shares and based on standard procedure in similar transactions, the Company (through a wholly-owned subsidiary, linked) granted the issuance underwriters an option for over-allotment of another 15 million ordinary shares of Ithaca that it holds, and if this option is exercised in full, the public holdings in Ithaca shares will increase to 120 million shares representing 11.9% of Ithaca's issued capital. All the issuance proceeds, both for the new shares offered by Ithaca and for the over-allotment shares to be sold (if they are sold in full), in the amount of up to USD 345 million, will be paid to the Company, net of part of the issuance costs.

As part of the IPO, Ithaca approved compensation schemes for its employees and officers, which also include share-based payments.

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 an extraordinary 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 participation 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), 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. Subsequent to the balance sheet date, on October 6, 2022, the general partner and the limited partner filed a motion with the District Court for instructions regarding the continued conduct of the proceedings to approve the changes in the proposed arrangement, following the signing of the business combination agreement described below was signed, and to petition the court for approval to convene the general meeting to approve the revised arrangement, in accordance with the previous ruling of the District Court. On October 31, 2022, the District Court approved the motion.

Signing an agreement for a business combination with Capricorn Energy PLC (hereinafter - "Capricorn"):

- A. On September 29, 2022, the Partnership and the general partner signed a conditional agreement with Capricorn for a business combination transaction of the Partnership and Capricorn (hereinafter - the "Agreement" and the "Transaction", respectively).
- B. Capricorn is a public company incorporated in the UK and operating in the energy sector; as at the approval date of the financial statements, its shares are traded on the London Stock Exchange, as defined in the Third Schedule to the Israel Securities Law, 1968 (hereinafter - the "LSE" and the "Securities Law", respectively). As at the approval date of the financial statements, Capricorn holds rights in producing onshore oil and natural gas assets in Egypt, and a number of other oil and natural gas exploration and appraisal assets in the UK, Mauritania, Suriname, and Mexico.
- C. Under the terms and conditions of the Transaction, shortly before completion of the Transaction, Capricorn is expected to distribute a special cash dividend and other related payments in the amount of USD 620 million to its shareholders, and following the distribution, Capricorn will allot new shares to all holders of the participation units of the Partnership and to the general partner (which holds 0.01% of the Partnership's capital), according to an exchange ratio of 2.337344 Capricorn shares per participation unit (hereinafter - the "Exchange Ratio"), see also Section E1 below, in consideration for the transfer of all the rights of the limited partner and the general partner in the Partnership (100%) to Capricorn, such that after completion of the Transaction, the Partnership will become a private corporation wholly owned by Capricorn and will cease to be a reporting corporation, as this term is defined in the Securities Law. Subsequent to completion of the Transaction, it is expected that all holders of the Partnership's participation units (including the general partner) will hold 89.7% of the share capital of the subsidiary (hereinafter - the "Subsidiary"). The shares of the Subsidiary are expected to be listed on the premium listing of the LSE under the name NewMed Energy and are expected to be dual-listed on the TASE, in accordance with Chapter E3 of the Securities Law.
- D. On September 28, 2022, the Transaction was approved by the audit committee and board of directors of the general partner and by the board of directors of Capricorn.

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

C. NewMed Energy (cont.)

E. Further information about the Transaction and its terms and conditions:

1. Subject to fulfillment of the preconditions for the Transaction upon completion of the Transaction: (a) the existing participation units will be delisted from the TASE; (b) the trust agreement will expire and the participation units will be canceled such that they no longer confer any rights (subject to the right of the holders of the Partnership's participation units to receive the shares of the Subsidiary); (c) the general partner will transfer ownership to Capricorn of all its rights as a general partner in the Partnership, including the rights of control and management in the Partnership and a holding of 0.01% in the Partnership's capital, such that a wholly-owned subsidiary of Capricorn will be appointed and act as the sole general partner in the Partnership; (d) the limited partner will transfer ownership to Capricorn of all of its rights as a limited partner, including a 99.99% holding in the Partnership's capital, such that Capricorn will become the new limited partner in the Partnership; and (e) in consideration for the transfer of the entire rights in the Partnership, Capricorn will issue a total quantity of 2,743,608,891 new shares to the holders of the Partnership's participation units, in accordance with the Exchange Ratio, and will also issue 274,388 additional shares to the general partner for its rights in the Partnership's capital (0.01%), in accordance with the Exchange Ratio (hereinafter jointly - the "**Consideration Shares**").
2. The Agreement includes provisions according to which adjustments will be made to the Exchange Ratio if, after signing the Agreement and before completion of the Transaction: (a) there is a change in the Partnership's issued participation unit capital or in the issued share capital of Capricorn; (b) Capricorn makes a distribution and other related payments exceeding USD 620 million; or (c) the Partnership makes a distribution exceeding USD 55 million in any calendar quarter, provided the rate of the Consideration Shares out of the total issued capital of the Subsidiary subsequent to completion of the Transaction does not exceed 90%.
3. The Transaction is subject to fulfillment of the preconditions set out in the Agreement (or their waiver if Agreement sets out such a right) (hereinafter - the "**Preconditions**"), including the following terms and conditions: approval of the arrangement as defined below, by a majority vote at the general meeting of the holders of the Partnership's participation units; see also Note 1 above; (b) receipt of an order from the Minister of Justice under Section 351A(b) of the Companies Law; (c) approval of the arrangement by the court; (d) approval of the Transaction by the general meeting of shareholders of Capricorn in an ordinary resolution; (e) approval of the regulators in the UK (FCA) and approval of the London Stock Exchange (LSE), including the listing of the Consideration Shares and relisting of the other shares of Capricorn, including the approval of Capricorn's UK prospectus for this purpose; (f) approval by the Securities Authority and the TASE for the dual listing of Capricorn's shares on the TASE in accordance with Chapter E3 of the Securities Law, including approvals for Capricorn's prospectus and/or listing document, as required; (g) receipt of a preliminary tax ruling from the Israel Tax Authority for the Transaction; (h) receipt of all the approvals required by law and/or agreement, as required, including for the oil assets held by the parties in the countries where the parties operate, including Israel, Egypt, Cyprus, the UK, and other countries; (i) receipt of the approvals, to the extent required, to lift the pledges on the Participation Units held by Delek Group Ltd., the controlling shareholder of the Partnership; (j) receipt of additional approvals, to the extent required; (k) there has been no material adverse change (as defined in the Agreement) with respect of any of the parties; (l) there have been no breaches of the interim period undertakings and pre-completion undertakings (as defined below) or a material breach of representations by any of the parties; and additional preconditions, as is standard in transactions of this type.

NOTE 3 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (CONT.)**C. NewMed Energy (cont.)****E. Further information about the Transaction and its terms and conditions: (cont.)**

4. As is standard in transactions of this type, provisions were established for the conduct of the parties in the period from the signing of the Agreement until completion of the Transaction. In addition, the parties undertook to make every reasonable effort to meet the conditions precedent no later than June 30, 2023 and to that end - to cooperate, consult and share information with each other.
5. The Agreement sets out the terms and conditions for filing claims for a breach of representations or a breach of undertakings prior to the Transaction.
6. The Agreement sets out provisions for the right of the parties to terminate the Agreement, including that the Partnership or Capricorn may terminate the Agreement if the board of directors of Capricorn or the general partner, as the case may be, change their decision to recommend that the general meeting of Capricorn's shareholders or the holders of the Participation Units in the Partnership, as the case may be, approve the Transaction, or in the event of a material breach by Capricorn or by the Partnership of representations or of the undertakings of the interim period, and it was determined that the Partnership and/or Capricorn has the right to terminate the Agreement in certain other cases that were specified.
7. The Agreement is governed by UK law and determines that the courts in the UK have exclusive jurisdiction over any dispute arising from or related to the Agreement.

The updated arrangement will be presented at the general meeting of holders of the Partnership's participation units for approval by the required majority under Section 350(I) of the Companies Law, meaning, a majority of participants in the vote, other than abstentions, holding together three quarters of the value represented in the vote; additionally, the Partnership resolved, for the sake of caution, that the Agreement will also be subject to the majority required for approval of transactions in which the controlling shareholder has a personal interest under Section 65YY of the Partnership Ordinance [New Version], 1975.

It should be clarified that, at this stage, it is uncertain whether the Transaction can be completed, which is subject, among other things, to the receipt of regulatory approvals and fulfillment of the preconditions in the Transaction. It is also possible that even if the Transaction is completed, the Transaction may be realized in whole or in part and in a way that is significantly different to that described above.

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 allocate the CEO of the general partner some of its rights in the transaction.

NOTE 3 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (CONT.)**C. NewMed Energy (cont.)****2. (cont.)**

On September 21, 2022, the general meeting of the holders of the Partnership's participation units resolved to authorize the Partnership to operate and make investments in renewable energy projects, as part of the collaboration with Enlight, including the personal interest of the CEO of the General Partner in the Partnership, in the Transaction, for three years, which can be extended for additional periods subject to additional approval by the general meeting and all in accordance with the TASE Rules and Regulations. Approval to carry out renewable energy projects as set out above is limited to an aggregate investment (the share of the Partnership only) of USD 100 million (in capital and/or shareholder loans, including a capital note or by way of a guarantee for loans to be provided). Increasing the investment cap is subject to approval by the general meeting of the holders of the participation units, in a resolution passed by a simple majority. As at the approval date of the financial statements, the parties are working to formulate a detailed and binding agreement between the parties.

3. On May 22, 2022, NewMed Energy declared a dividend 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.

On August 17, 2022, NewMed Energy declared the distribution of profits in the amount of USD 50 million, which was distributed in September 2022. The Group's share in this amount is USD 27 million.

4. Subsequent to the balance sheet date, on November 23, 2022, NewMed Energy announced a distribution of profits in the amount of USD 50 million, with the effective date for distribution being December 26, 2022; the profits will be distributed on January 19, 2023. The Group's share in this amount is USD 27 million.
5. In September 2022, the Partnership's Compensation Committee approved a new compensation scheme for the Partnership's CEO, which includes a payment plan based on participation units.

D. Delek Israel

In May 2022, Delek Israel distributed a NIS 50 million dividend. The Company's share in the said amount is NIS 12.5 million.

Subsequent to the balance sheet date, 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

1. 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 134.1 million (100%, the Partnership's share, is USD 60.8 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 second quarter of 2023, after completion operations.
2. As at the approval date of the financial statements, the maximum capacity for gas supply from the Leviathan project is 1.2 BCF per day. As part of the advancement of Phase 1 - Second Stage of the Leviathan project development plan and the increase of maximum production capacity to 2.1 BCF per day, the Leviathan partners are assessing the acceleration of an investment in a third subsea pipeline from the wells to the platform (hereinafter - the "Third Pipeline"), in which context the option of increasing production capacity is being assessed. It should be clarified that installation of the Third Pipeline is subject to a final investment decision (FID), which the Partnership believes will be made by the Leviathan partners in the first quarter of 2023. The investments in the installation of the Third Pipeline, alongside the investments in the related systems of the platform, are estimated at USD 550 million (100%, the Partnership's share is USD 249 million), over a period starting from the first quarter of 2023 until the expected operation of the Third Pipeline in the second quarter of 2025.
3. Further to Note 12D to the Annual Financial Statements, regarding the Leviathan partners' assessment, together with Energy Infrastructure Ltd. (hereinafter - "PEI"), of the potential use of the existing PEI systems to deliver condensate (light oil) from the Leviathan reservoir, on April 26, 2022, Chevron and PEI signed an MoU setting out an alternative mechanism for delivering condensate using the existing PEI systems, subject to the signing of a binding agreement.
On September 1, 2022, PEI and Chevron, as the operator of the Leviathan project, signed a binding agreement for delivery of condensate from the Leviathan project through PEI's 6-inch pipe and its related systems.
It should be further noted that, in November 2022, the Leviathan partners approved a budget of USD 27 million (100%) for implementation of the agreement.
4. On November 8, 2022, the Partnership and Uniper SE (hereinafter - "Uniper"), a German energy company with international operations, signed a non-binding MoU to assess potential cooperation for the supply of liquefied natural gas (LNG) to Europe and for the production of blue hydrogen and green hydrogen and its transportation from Israel to Europe. Under the MoU, the parties will examine, among other things, the supply of natural gas from the Leviathan project to Germany, and natural gas liquefaction will be through one of the liquefaction facilities in Egypt or through the construction of an independent floating liquefaction facility (FLNG) in Israel, as part of the development of Phase 1 - Second Stage of the Leviathan project development plan. It should be noted that it is uncertain whether and when the cooperation between the parties will materialize, or whether the cooperation will lead to agreements with the Partnership for the sale of LNG.

NOTE 4 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (CONT.)**B. Yam Tethys project**

Further to Note 12G(3) to the Annual Financial Statements referring to decommissioning of the wells and the subsea equipment in the Yam Tethys project, in November 2022, the Partnership, following the recommendation of the project operator, approved an addition to the plugging and decommissioning budget in the amount of USD 276.6 million (100%, the Group's share is USD 146 million); following the adjusted decommissioning costs in the Yam Tethys project, the net effect in the financial statements of the Group, including the Partnership, amounted to an additional expense of USD 25 million (NIS 84 million), which was included under other expenses in the statement of income. As at the date of the financial statements' approval, the Yam Tethys partners spent a total of USD 242.2 million of said budget (100%, the share of the Group amounts to USD 128 million).

C. Block 12, Cyprus

Further to Note 12E to the Annual Financial Statements, it is noted that, the partners in the Aphrodite Reservoir are working to file, by the end of the year, a revised reservoir development plan for approval by 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. It should be further noted that, on November 9, 2022, an amendment to the production sharing contract was signed, extending the date of the undertaking of the Block 12 partners to drill and complete the well by another 9 months, meaning by August 2023.

On September 18, 2022, the Partnership announced that the partners in the reservoir resolved to approve the drilling budget for the A-3 appraisal drilling in the area of Block 12 (hereinafter -the "Well"), which may serve as a production well at a later stage. The drilling budget is USD 130 million (100%, the Partnership's share, is USD 36 million).

The partners engaged the services of a drilling rig and related services for drilling the Well. The partners also approved an amount of USD 62 million (100%, the Partnership's share amounts to USD 19 million) for the pre-FEED works for development of the reservoir. Drilling is expected to begin in the first half of 2023.

- D. Further to Note 12F to the Annual Financial Statements regarding the agreement for the sale of rights in the I/17 Karish I/16 Tanin leases (hereinafter jointly - the "**Leases**"), in October 2022, Energean Oil & Gas PLC (hereinafter - "**Energean**") reported the production of first gas from the Karish reservoir, and that it is expected to supply gas to its customers. 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 7.23%; the capitalization rate for the royalty component is estimated at 11%; 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: 3.64 BCM of natural gas; average annual production rate of condensate from the Karish lease: 4.79 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.

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

Finance income recorded in the reporting period includes USD 50.9 million (NIS 168 million) arising from an adjustment of the value of royalties from the Leases amounting to USD 48.4 million (NIS 160 million); and from an adjustment of the amounts receivable in respect of the loan to Energean in the amount of USD 2.5 million (NIS 8 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 2022 periodic payment for the loan, set for March 2022, will be postponed. On May 31, 2022, the Partnership filed a claim on the matter against Energean, petitioning the court to order Energean to immediately pay the Partnership the balance of the loan, as required in the agreement, in the total amount of USD 65.1 million (as of the filing date of the lawsuit), plus linkage differentials by law and agreed annual interest differentials 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 declaratory relief according to which the terms of the force majeure covenant in the agreement were not fulfilled. It should be noted that on September 15, 2022, Energean filed a statement of defense for the claim, and on October 3, 2022, the Partnership filed a statement of response. A pretrial hearing is scheduled for April 2023. It is further noted that on September 22, 2022, Energean paid an amount of USD 12.4 million for the periodic payment of 2022, which includes the principal and semi-annual interest. Accordingly, the Partnership will insist on its right to receive the balance of the cost of annual interest from Energean as well.

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 14.6 million (NIS 48 million). The total effect on the profit attributable to the Company's shareholders after tax amounted to NIS 20 million.

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 21, 2022, the Partnership transferred an amount of NIS 39.7 million (USD 11.4 million), including linkage and interest, to the account of Resnick Paz Nevo Trustee Company Ltd., which was appointed by the court as 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 12Q 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 filed in respect of 2013-2019, in May 2022, the Assessing Officer for Large Enterprises issued a best judgment assessment for the 2020 tax year, most of which involves the same disputes regarding 2013-2019. It should be noted that the disputes described above include, among other things, a dispute regarding the sale of gas from the Tamar reservoir for the supply of gas under agreements between natural gas consumers and the Yam Tethys partners. According to the Tax Authority, imputed proceeds should be attributed to the Tamar project for the supply of natural gas from the Tamar reservoir to customers which have agreements with the Yam Tethys partners, instead of setting project proceeds on the actual consideration received. According to this assessment, the Partnership is required to pay a levy of USD 23 million for 2020.

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

In July 2022, the holders of rights in the Tamar project appealed the said assessment with the Assessing Officer for Large Enterprises. It should be clarified that if 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 and to recognize an expense for the period until the sale of its rights in the Tamar project in an amount estimated at USD 35 million (NIS 124 million) (which includes an amount of USD 23 million for 2020) as at September 30, 2022.

It should be noted that further to Note 7C below, the district court dismissed the claim of the Partnership and Chevron against the Ministry of Energy regarding the return of the royalties they paid for the imputed proceeds from the supply of natural gas from the Tamar reservoir to the Yam Tethys customers.

The Partnership believes, based on the opinion of its legal counsel, that it is more likely than not that the claims of the holders of rights in Tamar for the disputes with the Tax Authority (including for the imputed proceeds) will be accepted, considering also the judgment described in Note 7C below, which addresses the calculation of the revenue at the market value of the gas supplied to natural gas consumers for payment of royalties under the Petroleum Law and not the calculation of revenues for payment of the levy under the Taxation of Profits from Natural Resources Law, 2011.

As the law is new and the calculation formulas and mechanisms set out in the law are complex, it is not certain whether this interpretation of the calculation method for the levy will be the same as that adopted by the tax authorities and/or the same as the interpretations of the law by the court.

- 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. It is noted that deposits in the amount of NIS 13 million 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. In July 2022, Midroog upgraded the rating of the debentures (Series B31 and B34) issued by the Company from Baa3.il to Baa1.il with a stable rating outlook. In addition, subsequent to the balance sheet date, in November 2022, S&P Maalot upgraded the rating of the Company and the rating of Debentures (Series B31 and B34) issued by the Company to iilBBB+ with a stable outlook. Following the upgraded rating, in accordance with the provisions of the deeds of trust of Debentures (Series B31 and B34), as from November 23, 2022 there was a decrease of 0.5% in the stated annual interest rate on the Debentures.
- C. As at September 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 18 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"), 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. On October 26, 2022, the Delek Foundation filed an appeal against the judgment with the Supreme Court.
- C. Further to Note 23A1(3) of the Annual Financial Statements, regarding a claim filed by the Partnership and Chevron (hereinafter jointly in this section - the "**Plaintiffs**") with the Jerusalem District Court 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 agreements between natural gas consumers and the Yam Tethys partners for the supply of gas from the Tamar reservoir. 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. In accordance with the petition of the parties of August 15, 2022, 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. Subsequent to the balance sheet date, on November 14, 2022, the court handed down a judgment dismissing the claim, other than in connection with the Plaintiffs' position regarding repayment of the immaterial amount of interest collected by the defendant from the Plaintiffs, and ordering the Plaintiffs to pay the defendant's expenses and legal fees. In accordance with the above, the Partnership recognized expenses amounting to USD 13.5 million for the period up to the sale of its entire holdings in the Tamar project for the Tamar Project, and USD 1.6 million for the Leviathan project. The expenses include the royalties paid by the Partnership to the state under protest, overriding royalties payable for revenues arising from the gas supply agreements, and adjustment of the rate of royalties at the wellhead in the Tamar and Leviathan projects. It should be noted that, under the agreements between the parties, the decision on this matter, once it is final, will apply also to the overriding royalties paid by the Partnership over the years for the Tamar project, with the required changes. Accordingly, if the court's ruling of November 14, 2022 stands, the Partnership will incur a payment to the royalty holders for gas quantities supplied by the Partnership to customers of the Yam Tethys project, in the amount of USD 5.4 million (of which, an amount of USD 1.2 million for the Group). It should be noted that the Partnership is continuing to study the judgment, with the assistance of its legal counsel, and it intends to file an appeal.

NOTE 7 - CONTINGENT LIABILITIES (CONT.)

- D. Further to Note 23A2(5) referring to a motion for certification of a class action filed at the Tel Aviv-Jaffa District Court (Economic Department), subsequent to the balance sheet date, on November 15, 2022, the court certified the class action against the Company and its officers on grounds under Sections 38C and 52K of the Securities Law, 1968. The class in whose name the claim was certified as a class action, at this stage, is anyone who purchased the Company's securities in the period from March 15, 2020 to March 23, 2020 (the class was significantly diminished at this stage of the certification ruling compared with the motion for certification). The respondents are required to file a statement of defense before January 14, 2023. Due to the preliminary stage of the claim, the Company, based on the opinion of its legal counsel, is unable to assess its chances.
- E. Further to Section 23A1(2) to the Annual Financial Statements, regarding an appeal filed with the Supreme Court against the judgment of the Tel Aviv District Court, which dismissed the motion for certification of a class action filed by a consumer of the Israel Electric Corporation Ltd. (hereinafter - "IEC") against the Tamar partners, regarding the price of natural gas sold by the Tamar partners to IEC, it should be noted that on May 4, 2022, the Attorney General submitted her response to the appeal, stating that the appeal should be dismissed because a class action is not the effective and fair way to resolve the dispute, primarily because the Gas Framework includes comprehensive regulation for gas price. A hearing of the appeal is scheduled for January 9, 2023.

NOTE 8 - EQUITY

- A. In the reporting period, 13,987 Options (Series 11), 9,486 Options (Series 12), and 47,114 Options (Series 13) were exercised for 70,587 shares of NIS 1 par value each for a consideration of NIS 18 million. 152 Options (Series 13) expired.

As of September 30, 2022, the Company's issued and paid-up share capital totaled 18,358,080 shares of NIS 1 par value, each. Options in circulation: 484,771 Options (Series 11), 250,306 Options (Series 12), and 82,260 Options (Series 14).

- B. Subsequent to the balance sheet date and until shortly before the approval date of the financial statements, 4,108 Options (Series 11) and 109 Options (Series 12) were exercised into 4,217 Company shares, in consideration for NIS 0.6 million. Subsequent to the exercises, the issued and paid-up share capital of the Company is 18,362,297 shares of NIS 1 par value each.

NOTE 9 - FINANCIAL INSTRUMENTS

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

A. Fair value

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

	Balance		Fair value	
	September 30	December 31	September 30	December 31
	2022	2021	2022	2021
	Unaudited	Audited	Unaudited	Audited
	NIS millions			
Debentures and convertible liability	14,731	13,717	14,396	14,489

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

B. Classification of financial instruments according to the fair value hierarchy**1. As at September 30, 2022:****Financial assets measured at fair value**

	Level 1	Level 2	Level 3
	Unaudited		
	NIS millions		
<u>Financial assets at fair value through profit or loss</u>			
Shares	4	-	-
Seller's loan to the buyers of The Phoenix	-	-	164
Royalties receivable for the sale of the Karish and Tanin leases	-	-	1,100
Loan provided for the sale of the Karish and Tanin leases	-	193	-

Financial assets at fair value through other comprehensive income

Cash flow hedging transactions	-	63	-
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Financial liabilities measured at fair value

	Level 1	Level 2	Level 3
	Unaudited		
	NIS millions		
<u>Financial liabilities at fair value through profit or loss</u>			
Contingent consideration	-	-	932
Financial derivatives	-	73	-
<u>Financial liabilities at fair value through other comprehensive income</u>			
Cash flow hedging transactions	-	2,310	-

Notes to the Consolidated Interim Financial Statements

NOTE 9 - FINANCIAL INSTRUMENTS (CONT.)

B. Classification of financial instruments according to the fair value hierarchy (cont.)1. As at September 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>Unaudited</u>		
	<u>NIS millions</u>		
<u>Financial assets at fair value through profit or loss</u>			
Shares	7		
ETFs	65	-	-
Seller's loan to the buyers of The Phoenix	-	-	199
Royalties receivable for the sale of the Karish and Tanin leases	-	-	841
Loan provided for the sale of the Karish and Tanin leases	-	209	-
Financial derivatives	-	4	-

Financial liabilities measured at fair value

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>Unaudited</u>		
	<u>NIS millions</u>		
<u>Financial liabilities at fair value through profit or loss</u>			
Contingent consideration	-	-	19
<u>Financial liabilities at fair value through other comprehensive income</u>			
Cash flow hedging transactions	-	1,881	-

NOTE 9 - FINANCIAL INSTRUMENTS (CONT.)**B. Classification of financial instruments according to the fair value hierarchy (cont.)**December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>Audited</u>		
	<u>NIS millions</u>		
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	-
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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>Audited</u>		
	<u>NIS millions</u>		

Financial liabilities at fair value through profit or loss

Contingent consideration	-	-	61
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Financial liabilities at fair value through other comprehensive income

Cash flow hedging transactions	-	1,297	-
Financial derivatives	-	6	-

During the reporting period 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 September 30, 2022:

– Transactions on the price of oil

	Period	Quantity (MBBL of oil)	Average exercise price (USD/barrel)
Swap	October 2022 - December 2023	3,900	64
Put	October 2022 - December 2022	524	57
Collar	October 2022 - December 2023	5,411	Minimum 67, maximum 90

– Transactions on the price of gas

	Period	Quantity (ktherms)	Average exercise price (pence/therm)
Swap	October 2022 - June 2024	159,483	172
Put	October 2022 - September 2023	18,350	126
Collar	October 2022 - September 2023	59,450	Minimum 195, maximum 353

The transactions are accounted for as hedge accounting. As of September 30, 2022, the net fair value of the hedge transactions amounted to a liability of USD 637 million (NIS 2,257 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, in addition to compensation scheme, 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.
- D. In July 2022, legislation was passed, 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 (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 retirement 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 of 2022, the Group updated the deferred tax balances expected to be utilized in the levy period, to reflect the new tax rate. The effect of the adjustment in the tax rate is a decrease in the deferred tax asset, net of USD 189 million. This decrease is expressed in a decrease in deferred tax in respect of oil and gas assets in the amount of USD 351 million and an increase in deferred tax in the amount of USD 162 million in respect of hedges. As a result of the aforesaid, in the reporting period, the Group included deferred taxes in the amount of USD 323 million (NIS 1,099 million) in the statement of income and revenue in the amount of USD 134 million (NIS 456 million) under other comprehensive income.

Subsequent to the balance sheet date, in November 2022, the UK government published an update according to which, among other things, the additional levy will be revised such that starting on January 1, 2023, the rate of the levy will increase from 25% to 35%, and the term of the levy will be extended to March 31, 2028. Against the new levy, the companies will be permitted to deduct 29% of their permitted investments in development of gas and oil assets. If the legislation is completed, Ithaca will adjust the deferred tax balances expected to be utilized in the levy period, to reflect the new tax rate. The effect of the adjustment in the tax rate (based on the deferred tax balances as at September 30, 2022 and on the details of the legislation known to date) is a decrease in the deferred tax asset in the amount of USD 288 million. This decrease is expressed in a decrease in deferred tax in respect of oil and gas assets in the amount of USD 353 million and an increase in deferred tax in the amount of USD 65 million in respect of hedges. In respect of the said revision, tax expenses in the amount of USD 323 million were stated in profit or loss and tax income of USD 134 million was stated in the capital reserve for cash flow 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, there was an appreciation of 13.9% in the USD exchange rate against the NIS, compared with an appreciation of 0.4% in the corresponding 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 3%.

Notes to the Consolidated Interim Financial Statements

NOTE 11 - OPERATING SEGMENTS

A. General

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

The operating segments are as follows:

- Oil and gas exploration and production in and around Israel - The main activity during the reporting period takes place as part of the Leviathan Project joint venture, and other oil rights, mainly off the coast of Israel through NewMed Energy. Comparative figures for 2021 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 Properties, the investment in which is accounted for in accordance with the equity method.

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

B. Segment reporting1) Revenue

	For the 9 months ended June 30		For the 3 months ended September 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	2,404	2,506	875	942	3,231
Development and production of oil and gas assets in the North Sea	6,619	3,200	2,172	1,115	4,736
Other segments	9	6	1	1	6
Total in statement of income	9,032	5,712	3,048	2,058	7,973

Notes to the Consolidated Interim Financial Statements

NOTE 11 - OPERATING SEGMENTS (CONT.)

B. Segment reporting (cont.)2) Segment results

	For the 9 months ended September 30		For the 3 months ended September 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	1,592	1,284	583	277	1,544
Development and production of oil and gas assets in the North Sea	7,373	1,803	1,176	876	2,939
Other segments	25	74	7	65	116
Adjustments	(5)	33	(9)	53	31
Operating profit	8,985	3,194	1,757	1,271	4,630

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

	For the 9 months ended September 30		For the 3 months ended September 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	594	304	228	(36)	362
Development and production of oil and gas assets in the North Sea	4,482	617	(530)	259	1,282
Other segments	25	72	7	64	115
Adjustments *)	(305)	(282)	(109)	(62)	(411)
Profit (loss) from continuing operations attributable to shareholders of the Company	4,796	711	(404)	225	1,348

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

Delek Group Ltd.

Financial Information from the Consolidated Interim

Financial Statements

Attributable to the Company

As at September 30, 2022

Unaudited

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 "Last Quarterly Report of Internal Control"), the said internal control was found to be effective.

It is noted that the evaluation 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 - which were acquired during the reporting period and their business activities were included in the Company's consolidated business activities for the period ended June 30, 2022 - were not included in the scope of the Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure.

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 the Chief Executive Officer in accordance with Regulation 38C(d)(1):

Declaration of Executives

Declaration of the CEO

I, Idan Wallace, declare that:

1. I have reviewed the Interim Financial Statements and other financial information of Delek Group Ltd. (hereinafter - "the Corporation") for the third 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 present fairly, in all material respects, the financial position, the results of operations and the cash flows of the Corporation at the dates and for the periods covered by the Reports;
4. I disclosed to the independent auditor of the Corporation, to the Board of Directors, to the Audit and the Financial Statements Committees of the Board of Directors of the Corporation, based on my latest assessment of the internal control over the financial reporting and disclosure:
 - A. all the significant flaws and material weaknesses in the determination or operation of the internal control over the financial reporting and disclosure that could reasonably have an adverse effect on the ability of the Corporation to collect, process, summarize or report on financial information in a way that could cast doubt on the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law; and -
 - B. any fraud, whether material or not, involving the chief executive officer or anyone directly reporting thereto or involving other employees who have a significant role in the internal control over financial reporting and disclosure;
5. I, alone or together with others in the Corporation:
 - A. have established controls and procedures or ascertained the establishment and upholding of controls and procedures under my supervision, designed to ensure that material information relating to the Company, including its subsidiaries as defined in the Securities Regulations (Annual Financial Statements), 2010, is brought to my knowledge by others in the Corporation and in the subsidiaries, particularly during the period of preparation of the Reports; and -
 - B. have established controls and procedures, or ensured that such controls and provisions under my supervision be established and in place, designed to ensure, in a reasonable manner, the reliability of financial reporting and preparation of financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;
 - C. No event or matter has been brought to my attention during the period between the most recent periodic report date and the date of this Report that changes the conclusion of the Board of Directors and Management in respect of the effectiveness of the internal control over the Corporation's financial reporting and disclosure.

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

November 29, 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:

6. I have reviewed the Interim Financial Statements and other financial information of Delek Group Ltd. (hereinafter - "the Corporation") for the third quarter of 2022 (hereinafter - "the Reports" or "the Reports for the Interim Period");
7. 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;
8. 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;
9. 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.
10. 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.

November 29, 2022

Tamir Polikar
Deputy CEO and Chief Financial Officer

Special Report according to Regulation 38D

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

Attributable to the Company

Below are the separate financial data and financial information attributed to the Company from the Consolidated Interim Financial Statements of the Group as of September 30, 2022, published as part of the periodic reporting (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 September 30		As at December 31
	2022	2021	2021
	Unaudited		Audited
	NIS millions		
<u>Current assets</u>			
Cash and cash equivalents	22	801	285
Short-term investments	13	629	8
Income tax receivable	2	20	20
Other receivables	26	50	42
Total current assets	63	1,500	355
<u>Non-current assets</u>			
Investments in investee companies and partnerships	8,782	2,447	3,158
Loans and capital notes to investees	4,336	4,068	3,832
Financial assets	-	7	-
Long term loans and debit balances	301	378	330
Investment property	253	253	253
Property, plant and equipment, net	44	45	45
Total non-current assets	13,716	7,198	7,618
	13,779	8,698	7,973

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

Financial data from the consolidated balance sheets attributed to the Company

	As at September 30		As at December 31
	2022	2021	2021
	Unaudited		Audited
	NIS millions		
<u>Current liabilities</u>			
Debentures including current maturities	438	5,610	350
Loans from a subsidiary	47	44	63
Other payables	175	167	110
Total current liabilities	660	5,821	523
<u>Non-current liabilities</u>			
Loans from subsidiaries	876	873	895
Loans from others	108	105	103
Debentures	3,438	-	3,839
Other liabilities (primarily liability for retirement of long term assets)	7	7	9
Total non-current liabilities	4,429	985	4,846
<u>Equity attributable to the Company's shareholders</u>			
Share capital	19	19	19
Share premium	2,553	2,444	2,534
Proceeds for conversion options and warrants	17	32	18
Retained earnings	7,814	2,421	3,049
Adjustments from translation of financial statements of foreign operations	(69)	(934)	(1,125)
Reserve from transactions with non-controlling interests	(684)	(681)	(684)
Other reserves	(646)	(1,095)	(893)
Treasury shares	(314)	(314)	(314)
Total equity	8,690	1,892	2,604
	13,779	8,698	7,973

November 29, 2022

Approval date of the financial
statementsEhud Erez
Chairman of the
Board of DirectorsIdan Wallace
Chief Executive
OfficerTamir Polikar
Executive VP & CFO

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

Financial Data from the consolidated statements of income attributed to the Company

	For the 9 months ended September 30		For the 3 months ended September 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	NIS millions				
Revenue from overriding royalties and gas sales (net of royalties)	1	1	-	-	3
Rent	11	6	3	1	6
Company's share in earnings (losses) of investee companies and partnerships, net	5,110	985	(299)	280	1,727
Total income (expenses)	5,122	992	(296)	281	1,736
Production cost of gas sold	14	1	11	-	3
General and administrative expenses	16	16	5	1	22
Other income (expenses), net	(2)	48	-	58	63
Operating profit (loss)	5,090	1,023	(312)	338	1,774
Net finance expenses with respect to loans to investees and others	(55)	(9)	(27)	(7)	(21)
Finance income (expenses) (mainly for financial investments), net	1	(14)	-	(3)	(15)
Finance expenses (mainly for debentures)	(250)	(285)	(69)	(105)	(386)
Profit (loss) from continuing operations	4,786	715	(408)	223	1,352
Profit (loss) from discontinued operations, net	(21)	89	4	-	80
Net profit (loss) attributable to Company's shareholders	4,765	804	(404)	223	1,432

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

Financial data from the consolidated statements of comprehensive income attributed to the Company

	For the 9 months ended September 30		For the 3 months ended September 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	NIS millions				
Net profit (loss) attributable to Company's shareholders	4,765	804	(404)	223	1,432
Other comprehensive income (loss):					
Amounts not reclassified to profit and loss:					
Other comprehensive income attributable to investee partnerships companies	-	65	-	-	65
Total	-	65	-	-	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	1,056	15	643	(44)	(108)
Other comprehensive income (loss) attributable to the Partnership and investees (post-tax)	247	(1,172)	257	(648)	(1,038)
Total	1,303	(1,157)	900	(692)	(1,146)
Total other comprehensive income (loss) from continuing operations	1,303	(1,092)	900	(692)	(1,081)
Total comprehensive income (loss) attributable to Company's shareholders	6,068	(288)	496	(469)	351

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 statements of cash flows attributed to the Company

	For the 9 months ended September 30		For the 3 months ended September 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 (loss) attributable to the Company's shareholders	4,765	804	(404)	223	1,432
Adjustments needed to present cash flows from the Company's operating activities (a)	(4,622)	(1,067)	469	(335)	(1,743)
Net cash used for the Company's operating activities	143	(263)	65	(112)	(311)
Cash flows from the Company's investing activities					
Proceeds from disposal of financial assets	-	23	-	-	23
Short term deposits, net	(6)	(548)	5	(95)	78
Investments in property, plant and equipment and investment property	(2)	-	1	-	-
Proceeds from disposal of investment property	-	18	-	18	19
Deposits to long-term deposits	-	(8)	-	-	(4)
Collection of long-term deposits	-	-	(4)	-	76
Repayment (provision) of loans provided to others	4	67	4	-	73
Repayment (provision) of loans to, and equity investments in, investees, net	(9)	885	-	800	988
Net cash from the Company's investing activities	(13)	437	6	723	1,253
Cash flows from the Company's financing activities					
Issue of share capital and options (less issuance expenses)	-	60	-	50	136
Proceeds from exercise of options for shares of the Company	18	38	17	-	38
Issue of debentures (less issuance expenses)	-	761	-	246	1,256
Loans from subsidiaries	90	139	-	1	314
Repayment of loans to subsidiaries	(150)	(28)	(108)	(16)	(152)
Loans received from others	-	104	-	-	104
Repayment of loans from banks and others	-	(113)	-	-	(113)
Repayment of debentures	(351)	(464)	-	(113)	(2,370)
Net cash from (used for) the Company's financing activities	(393)	497	(91)	168	(787)
Increase (decrease) in cash and cash equivalents	(263)	671	(20)	779	155
Cash and cash equivalents at the beginning of the period	285	130	42	22	130
Cash and cash equivalents at the end of the period	22	801	22	801	285

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

Financial data from the consolidated statements of cash flows attributed to the Company

	For the 9 months ended September 30		For the 3 months ended September 30		For the year ended December 31
	2022	2021	2022	2021	2021
	Unaudited				Audited
	NIS millions				
(a) <u>Adjustments for presentation of statement of cash flows from the Company's operating activities</u>					
<u>Adjustments for profit and loss line items of the Company:</u>					
Depreciation, depletion and amortization	1	1	-	1	1
Impairment of loans granted, net	66	(23)	69	(4)	(23)
Impairment (appreciation) of investments in financial assets, net	2	14	1	4	16
Company's share in the expenses of investee companies and partnerships *)	(4,764)	(978)	419	(281)	(1,588)
Increase in value of liabilities, net		77	(31)	22	92
Revaluation of other long-term assets	23	(90)	-	-	(86)
Gain on disposal of investment property		-	-	-	10
Appreciation of investment property	(2)	(47)	(4)	(57)	(57)
<u>Changes in the Company's asset and liability line items:</u>					
Decrease (increase) in receivables and debit balances	21	(2)	(7)	(9)	(22)
Increase (decrease) in other accounts payable	31	(19)	22	(11)	(86)
	<u>(4,622)</u>	<u>(1,067)</u>	<u>469</u>	<u>(335)</u>	<u>(1,743)</u>
*) Net of dividends received	<u>346</u>	<u>8</u>	<u>122</u>	<u>-</u>	<u>151</u>
(b) <u>Company's significant non-cash activities</u>					
Dividend receivable from investee companies and partnerships	<u>-</u>	<u>16</u>	<u>-</u>	<u>16</u>	<u>-</u>

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 9 months ended September 30		For the 3 months ended September 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	184	245	61	99	416
Cash paid by the Company during the period for:					
Taxes	21	-	4	-	-
Dividends	311	8	87	-	151

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

NOTE 1 – GENERAL

- A. This separate financial information was drafted in a condensed format pursuant to the provisions of Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970. This separate financial information should be reviewed in conjunction with the separate financial information of the annual financial statements as of December 31, 2021, and for the year then ended and their accompanying notes, and in conjunction with the Consolidated Interim Financial Statements as of September 30, 2022 (hereinafter - the "Consolidated Interim 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 sector, oil and natural gas prices (as well as the USD-NIS exchange rate and interest rates) have a material effect (positive or negative) 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 September 30, 2022, the Brent oil price was USD 88 per barrel and the gas price was 353 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 is USD 83 per barrel and the gas price is 320 pence per thermal unit.

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

It is further noted that as at September 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 2.5 billion, mainly due to the fact that under the current liabilities in a subsidiary of the company (Ithaca), a liability is included for financial derivatives. The Company's management believes, based on its cash flow forecast and based on the sources and alternatives available to it, that the Company has sufficient resources to allow it to meet its obligations and comply with its financial covenants in the foreseeable future.

NOTE 2 – 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 and thereafter, 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.

In July 2022, Midroog upgraded the rating of the debentures (Series B31 and B34) issued by the Company from Baa3.il to Baa1.il with a stable rating outlook. In addition, subsequent to the balance sheet date, in November 2022, S&P Maalot upgraded the rating of the Company and the rating of Debentures (Series B31 and B34) issued by the Company to iIBBB+ with a stable outlook. Following the upgraded rating, in accordance with the provisions of the deeds of trust of Debentures (Series B31 and B34), as from November 23, 2022 there was a decrease of 0.5% in the stated annual interest rate on the Debentures.

As at September 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 18 to the Company's Consolidated Financial Statements for 2021).

Chapter

D

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

