Delek Group

ANNUAL REPORT 2023

ANNUAL REPORT 2023

TABLE OF CONTENTS

Delek Group

Chapter A

Corporate Description

Description of the Company's Business

Table of Contents — Page

Chapter A – Description of the Company's Business

Legend

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

The Company	-	Delek Group Ltd.
Ithaca	-	Ithaca Energy Plc
Delek Energy	-	Delek Energy Systems Ltd.
Delek Financial Investments	**-**	Delek Financial Investments Limited Partnership
Delek Israel	-	Delek the Israel Fuel Corporation Ltd.
Delek Properties	-	Delek Israel Properties (D.P) Ltd.
Delek Petroleum	-	Delek Petroleum Ltd.
Delek Leviathan Overriding Royalty	-	Delek Overriding Royalty Leviathan Ltd.
Delek GOM	-	Delek GOM Investments LLC
The Phoenix	-	The Phoenix Holdings Ltd.
Mehadrin Ltd.	-	Mehadrin
NewMed Energy or the Partnership	-	NewMed Energy - Limited Partnership
DKL	-	DKL Investments Limited
DKL Energy	-	DKL Energy Limited
IOGL	-	Ithaca Oil and Gas Limited

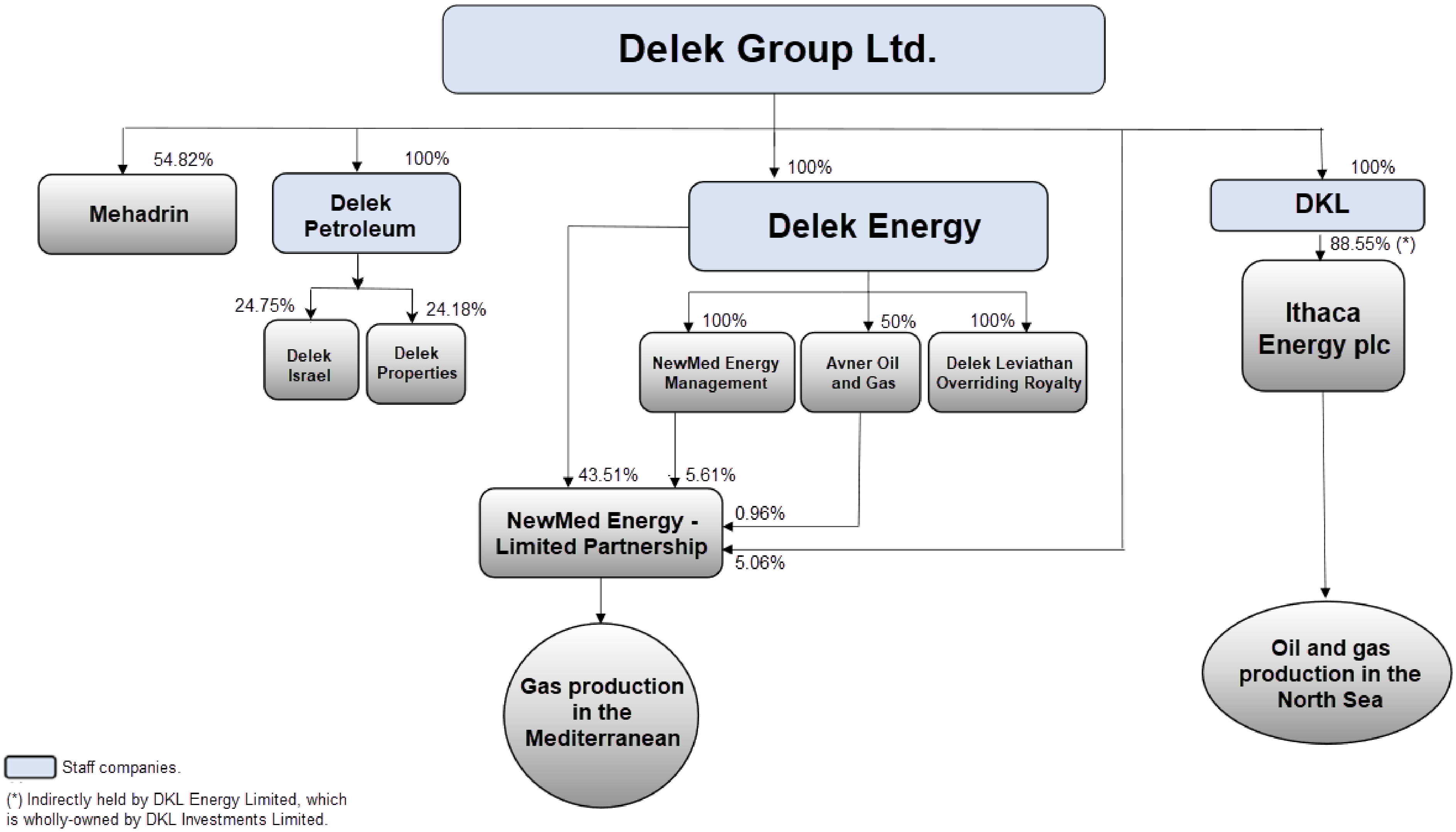
Part One – Description of the General Development of the Company's Business

1.1. General

The Company operates in the oil and natural gas exploration, development, production and marketing sector in Israel and abroad, through investees. Furthermore, the Company has holdings in petroleum product marketing operations in Israel and gas station real estate properties through its holdings in Delek Israel and Delek Properties, and since August 17, 2023, the Group has additional operations in the agriculture, refrigeration, water and real estate segments through its holdings in Mehadrin. The Company's key strategy is to continue developing its core assets in the field of gas and oil exploration and production (Upstream Energy), by, among other things, improving the Group's assets in the Mediterranean Sea (East Med) and in the North Sea, and maximizing their potential, as well as by assessing business opportunities that may unlock value in the Company's activity and constitute a growth engine for the Company's continued activity. For the sake of convenience, the Company and those companies under its control will hereinafter be referred to as the "**Group**" or the "**Delek Group**".

The Company was incorporated on October 26, 1999. The controlling shareholder of the Company is Mr. Yitzhak Sharon Tshuva (hereinafter - the "**Controlling Shareholder**"), who holds, as at the report publication date, approx. 49.52% of the Company's issued capital and voting rights, through companies under his control.

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


Delek Group Ltd.
54.82%
Mehadrin
100%
Delek Petroleum
24.75%
Delek Israel
24.18%
Delek Properties
100%
Delek Energy
100%
NewMed Energy Management
50%
Avner Oil and Gas
100%
Delek Leviathan Overriding Royalty
43.51%
5.61%
0.96%
5.06%
NewMed Energy - Limited Partnership
Gas production in the Mediterranean
100%
DKL
88.55% (*)
Ithaca Energy plc
Oil and gas production in the North Sea
Staff companies.
(*) Indirectly held by DKL Energy Limited, which is wholly-owned by DKL Investments Limited.

1.2. The Group's Operating Segments

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

(a) Energy in Israel Segment - These operations are conducted mainly through the Company's direct and indirect holdings in the NewMed Energy partnership, which holds rights to offshore oil assets in the Mediterranean, where significant gas reservoirs have been discovered; these include, among others, the Leviathan Reservoir in Israel and the Aphrodite Reservoir in Cyprus, as well as rights to royalties from the Karish and Tanin oil assets and several exploration licenses.

The Group's strategy in this segment is to focus on exploration, development, production and marketing of natural gas, condensate, and oil in Israel and in Cyprus, and on advancing various natural gas-based projects, with the aim of increasing the scope of its sales of natural gas produced by the Partnership. At the same time, the Partnership is assessing business opportunities for exploration, development, production, and marketing of natural gas, condensate, and oil in other countries (for additional details regarding the exploration license in Morocco, see Section 1.7.8 below), and is also reviewing and advancing options for investments in renewable energy project as part of the collaboration with Enlight Renewable Energy Ltd. (hereinafter - "Enlight") (as detailed in Section 1.7.10 below), and is also reviewing options for entry into the sectors of hydrogen, including blue hydrogen, which is produced from natural gas, as a low-carbon alternative for energy consumers. For further details, see Section 1.7.23 below. As of the report's approval date, the Company holds the entire share capital of the general partner in the Partnership (100%) and approx. 54.7% of the participation units issued by the limited partner in the Partnership.

For details about this segment, see Section 1.7 below.

(b) Foreign Energy Segment - These operations are conducted through Ithaca, a foreign company which IPOed on November 9, 2022 and is traded under the London Stock Exchange's Premium Listing; it which holds the rights to actively-producing oil and gas reservoirs on the UK Continental Shelf in the North Sea off the coast of England; Ithaca also holds production, treatment, and storage facilities, and has proven operator experience.

For details about this segment, see Section 1.8 below.

(c) Additional operations - These operations include the Company's approx. 25% holdings of the shares of Delek Israel and Delek Properties. Delek Israel mainly deals in sales of fuels and lubricants, the operation of gas stations with on-site convenience stores in Israel. Delek Properties holds land rights in Israel.

Furthermore, following completion of the acquisition of approx. 44.48% of the issued and paid-up capital of Mehadrin on August 17, 2023, another operating segment was added to the Company through its holding of shares of Mehadrin, which operates in the agricultural, refrigeration, water and real estate segments. For details about the acquisition of control of Mehadrin, see the reports of July 17, 2023 (Ref. No.: 2023-01-080964) and August 10, 2023 (Ref. No.: 2023-01-074371), included in this report as a reference. Subsequent to the balance sheet date, on January 29, 2024 the Company completed the purchase of another 10.83% of Mehadrin's shares through a special tender offer (for further details, see the immediate report dated January 29, 2024, Ref. No. 2024-01-011280). As at the report publication date, the Company holds approx. 54.82% of Mehadrin's share capital and voting rights.

For a description of the Company's additional operations, see Section 1.9 below.

1.2.2. Operating segments - materiality and description in the report

In recent years, the Group's strategy has been to focus on energy operations in Israel and abroad; as a result, and following the sale of other material operations in recent years, the Energy in Israel Segment and Foreign Energy Segment have become the Group's principal operating segments. This is reflected, among other things, in the administrative resources allocated by the Company's management, and by the managements of the Company's investees in these segments, toward developing operations, making investment decisions and financing of the operations. The Company's strategy is to continue developing its core assets in the field of gas and oil exploration and production (Upstream Energy), by, among other things, improving the Group's assets in the Mediterranean Sea (East Med) and in the North Sea, and maximizing their potential, as well as by assessing business opportunities that may unlock value in the Company's activity and constitute a growth engine for the Company's continued activity; however, as became evident in 2023 with the acquisition of control over Mehadrin Ltd. - whose areas of activity are other than energy, the Company is also exploring, as part of its activity, new business opportunities which could maximize value for the Company and constitute a growth engine for its continued activity.

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

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

In 2022-2023 and until shortly before the report approval date, no equity investments were made by the Company or material off-floor transactions of the Company's shares by interested parties in the Company, to the best of the Company's knowledge, other than the following:

1.3.1. On February 20, 2023, the Company's Board of Directors approved the cancellation of 586,422 dormant shares that were held by a subsidiary partnership (wholly-owned) and distributed to the Company shortly before their cancellation, and as a result, the Company's issued and paid-up capital decreased. For more details, see the Company's immediate reports dated February 20, 2023 (Ref. No. 2023-01-018975 and 2023-01-019056), the details of which are included herein by way of reference.

1.3.2. During 2022-2023 and until the approval date of the report, a total of 807,305 Options (Series 11-14) were exercised (including by interested parties) into Company shares, for a total consideration of approx. NIS 121 million.

1.3.3. Following are details, to the best of the Company's knowledge, concerning off-floor transactions in Company shares conducted by the Company's interested parties in 2022-2023 and until shortly before the report approval date:

Interested party	Transaction date	Type of transaction	Number of shares	Price per share (In NIS)	Total consideration (in NIS thousand)
Yitzhak (Sharon) Tshuva	January 30, 2022	Purchase	3,849	335	Approx. 1,289

1.4. Dividends

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

The Company did not distribute any dividends in 2022. Below is a breakdown of dividends declared by the Company in 2023 and until shortly before the report approval date:

Declaration date	Distribution date	Dividend per share (in NIS)	Total dividend (in NIS million)
February 20, 2023	March 15, 2023	25.1857	Approx. 450
May 30, 2023	June 27, 2023	10.8744	Approx. 200
August 22, 2023	September 19, 2023	10.8069	Approx. 200
November 21, 2023	December 18, 2023	13.5080	Approx. 250

As of December 31, 2023, the Company's distributable earnings, under Section 302 of the Companies Law totaled approx. NIS 6,773 million. Regarding the conditions for dividend distribution, see Section 1.4.3 below.

1.4.2. Dividend distribution policy

As of the reporting date, the Company has not adopted a dividend distribution policy. As at the approval date of the report, the Company has a conditions for the distribution of dividends pursuant to the deeds of trust of outstanding Debentures (Series B36, B37 and B38).

1.4.3. Conditions for dividend distributions

Conditions for distributions by virtue of the Deeds of Trust of the Company's Debentures (Series B36, B37 and B38)[1] [2]

(a) Under the deeds of trust of the Company's Debentures (Series B36), the Company undertook 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 Company's 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 (Series B37) and under the terms of the debentures; 3) There are no grounds for immediate repayment.For further details about Debenture Series B36, see Chapter D to the Report of the Board of Directors.

(b) Under the deeds of trust of the Company's Debentures (Series B37), the Company undertook 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 Company's equity will not be less than NIS 3,300 million following the distribution; 2) Equity to asset ratio (separate) shall not fall below 22% following the distribution; 3) The Company is not in breach of one or more of its material obligations under this deed of trust (Series B37) and under the terms of the debentures; 4) There are no grounds for immediate repayment.For further details about Debenture Series B37, see Chapter F to the Report of the Board of Directors. It is noted that until January 21, 2024, the Company has similar distribution restrictions under the Deeds of Trust to Debentures (Series B35), which were paid up by way of full early repayment on the aforesaid date.

(c) Under the deeds of trust of the Company's Debentures (Series B38), the Company undertook 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 Company's equity will not be less than NIS 3,500 million following the distribution; 2) Equity to asset ratio (separate) shall not fall below 22% following the distribution; 3) 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; 4) There are no grounds for immediate repayment; 5) On the date of declaration of the distribution, the Company is not in breach of any financial covenant and the distribution will not cause the Company to breach any of the financial covenants, all according to the latest financial statements published by the Company prior to the distribution date. For further details about Debenture Series B38, see Chapter D to the Report of the Board of Directors.

[1] Until December 31, 2023, there was 508,987,890 p.v. in Debentures (Series B35), and on January 21, 2024, the Company made full early repayment of the outstanding Debentures (Series B35) as of that date. For further details regarding conditions for distribution under the deed of trust to the Debentures (Series B35), see in Section 1.4.3 to Chapter A of the Company's 2022 Periodic Report, published on March 30, 2023 (Ref. No.: 2023-01-035043), which is included in this report by way of reference (hereinafter - the "**2022 Periodic Report**").

[2] As from until February 12, 2023, the Company is restricted in distributions by virtue of the amendment to its Deeds of Trust of Debentures (Series B31 and B34), which were paid up in full on the aforesaid date. For further details regarding the restrictions on dividend distribution in accordance with Series B31 and B34, see the Section 1.14 to Chapter A of the Company's Periodic Report for 2021 published on March 3, 2022 (Ref. No.: 2022-01-038020), which is included in this report by way of reference (hereinafter - the "**2021 Periodic Report**").

Part Two – Other Information

1.5. Financial information concerning the Group's operating segments

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

2023 (in NIS million)

2023 (in NIS millions)		Energy in Israel	Foreign Energy	Other	Adjustments to consolidated	Consolidated
Revenues	Revenues from external sources	3,510	8,531	289	-	12,330
	Revenues from other operating segments	-	-	-	-	-
	Total	3,510	8,531	289	-	12,330
Total attributable costs	Costs constituting revenues for another segment					
	Other costs	1,023	5,903	267	(69)	7,124
	Total					
	Fixed costs attributed to segment					
	Variable costs attributed to segment	1,023	5,903	267	(69)	7,124
Operating income (loss) attributed to owners of the parent company		1,386	2,347	30	69	3,832
Share in operating income attributed to non-controlling interests		1,101	281	(8)	-	1,374
Total assets attributed to segment		17,935	22,392	2,184	1,330	43,841
Total liabilities attributed to segment		9,985	13,790	803	4,328	28,906

2022 (in NIS million)

2022 (in NIS millions)		**Energy in Israel**	**Foreign Energy**	**Other**	**Adjustments to consolidated**	**Consolidated**
Revenues	Revenues from external sources	3,276	8,707	12	-	11,995
	Revenues from other operating segments	-	-	-	-	-
	Total	3,276	8,707	12	-	11,995
Total attributable costs	Costs constituting revenues for another segment	-	-	-	-	-
	Other costs	1,074	483	(14)	13	1,556
	Total	1,074	483	(14)	13	1,556
	Fixed costs attributed to segment	-	-	-	-	-
	Variable costs attributed to segment	1,074	483	(14)	13	1,556
Operating income (loss) attributed to owners of the parent company		1,228	8,182	26	(13)	9,423
Share in operating income attributed to non-controlling interests		974	42	-	-	1,016
Total assets attributed to segment		17,733	23,155	534	1,648	43,070
Total liabilities attributed to segment		10,606	15,142	-	4,443	30,191

2021 (in NIS million)

2021 (in NIS millions)		**Energy in Israel**	**Foreign Energy**	**Other**	**Adjustments to consolidated**	**Consolidated**
Revenues	Revenues from external sources	3,231	4,601	6	-	7,838
	Revenues from other operating segments	-	-	-	-	-
	Total	3,231	4,601	6	-	7,838
Total attributable costs	Costs constituting revenues for another segment	-	-	-	-	-
	Other costs	1,687	1,797	(110)	(31)	3,343
	Total	1,687	1,797	(110)	(31)	3,343
	Fixed costs attributed to segment	-	-	-	-	-
	Variable costs attributed to segment	1,687	1,797	(110)	(31)	3,343
Operating income (loss) attributed to owners of the parent company		835	2,804	116	31	3,786
Share in operating income attributed to non-controlling interests		709	-	-	-	709
Total assets attributed to segment		15,565	14,269	526	1,041	31,401
Total liabilities attributed to segment		10,163	11,091	-	4,959	26,213

1.6. General environment and effect of external factors

1.6.1. General

The Company's investees, through which the Company conducts its Energy in Israel and Foreign Energy operations, are controlled by the Company, with holdings of more than 50%. Furthermore, the Company has additional operations through its stake of approx. 55% in Mehadrin and through its holdings in Delek Israel and Delek Properties at a rate of approx. 25%.

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

1.6.2. Market developments and volatility

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

1.6.3. Exchange rates

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

1.6.4. Regulation

The business operations of the Company and its investees are subject to legal restrictions and the directives of various regulators, in and outside Israel, such as granting of natural gas export permits from the Ministry of Energy and Infrastructures, directives regarding competition laws, and directives regarding price control of products and services. Furthermore, the Group's ability to raise funds is affected, among other things, by regulation, such as the Proper Conduct of Banking Business Directives (see below) and regulation of non-banking credit, such as the regulation adopted by the Ministry of Finance' Commissioner of the Capital Market, Insurance and Savings in the (hereinafter - the "**Capital Market Commissioner**") following the Hodek Committee's recommendations.

For details on applicable regulation in Energy in Israel Segment, see Section 1.7.25 below; on applicable regulation in Foreign Energy Segment, see Sections 1.8.21 below.

The Company is affected by changes in competition laws or their application, primarily in those fields in which it has significant operations. On December 11, 2013, the Law for Promotion of Competition and Reduction of Concentration, 2013 (hereinafter - the "**Market Concentration Law**") was published in the Official Gazette. On December 11, 2014, the chapter in the Market Concentration Law concerning the application of aggregate concentration considerations and industry-specific competition considerations in rights allocations went into effect. On April 26, 2021, the Committee for Reducing Market Concentration issued, pursuant to the Market Concentration Law's provisions, the list of concentrated entities in the Israeli market, a list of significant non-financial entities, and a list of significant financial entities and the Group was included in the list of concentrated entities. On March 28, 2023, the Israel Competition Authority informed the Company that the Group will be removed from the list of significant non-financial corporations and the list of concentrated entities; indeed, subsequent to the report date, the Company was removed from the list of concentrated entities published by the Israel Competition Authority on March 13, 2024.

The Company and several of its investees are affected by the Proper Conduct of Banking Business Regulations issued by the Banking Supervision Department in Israel; these regulations include, among other things, restrictions on the scope of the loans that Israeli banks can grant to "single borrowers", and the largest "borrower group" in the bank (as these terms are defined in the aforesaid regulations). Accordingly, the scope of the loans issued to the Group's companies and the controlling shareholder in the Company may, under certain circumstances, affect the ability of the Group's companies to borrow additional amounts from banks in Israel.

The Company and its investees are also affected by the Government of Israel's policies in various matters (e.g. – monetary policies), and by the requirements of environmental regulators.

1.6.5. Developments in the Israeli economy

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

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

1.6.6. The Iron Swords War

Since the outbreak of the War on October 7, 2023, which began following the vicious attack by the Hamas terror organization on localities (and residents) in the Gaza Envelope and southern Israel, thousands of missiles were fired from Gaza mainly into the southern and central Israel, and in addition, with the advancement of the battle, the Hizballah terror organization has intensified the tension on the Israel-Lebanon border and initiated combat operations against Israel. As a result, and due to possible expansion of the War on the northern border and other areas, the IDF called up hundreds of thousands of reservists, communities near the battlefields on the southern and northern borders were evacuated, and the Home Front Command restricted, from time to time, the activity of workplaces and educational institutions. As at the report approval date, routine activity is conducted in the Israeli market against the background of the War, most of the restrictions imposed by the HFC with the outbreak of the War have been lifted, and most of reserves enlisted under emergency mobilization have been discharged home.

Due to the War, in October 2023 the rating agencies Moody’s and Fitch announced they are reviewing Israel’s credit rating for possible downgrading. S&P Global Ratings also announced that it was downgrading Israel’s credit outlook from stable to negative, while keeping the credit rating unchanged. Subsequently, on February 10, 2024, Moody’s announced they are downgrading Israel’s credit rating by one notch to A2, noting that Israel’s credit rating is under Negative Rating Watch for a further downgrading and that the central cause for the downgrade is Moody’s assessments that continuation of the War, and its extensive effects and implications significantly increase the political risk in Israel and weaken the legislative and executive authorities, the economic resilience of the country in the foreseeable future; it added that the negative outlook is due to additional risks, particularly the risk of significant escalation against the Hezbollah terror organization in the north, which has the potential for much more significant harm to the economy than currently exists. Therefore, other rating agencies may also announce negative rating measures for Israeli economy in the foreseeable future.

As at the approval date of the report, there is a great deal of uncertainty and it is impossible to estimate how the War will develop, whether it will expand to other areas, how long it will last, and its results and implications. Under such circumstances, it is impossible to assess the likelihood that the risk factors due to the War will materialize and their possible impact, including the specific risk factors listed in Section 1.21 below, which - if materialized, may have a material adverse effect on the Company, its assets and business.

For a description of the effects of the Iron Swords War on the Energy in Israel Segment and other operations of the Group, see Sections 1.7.2(f) and 1.9 below.

1.6.7. External factors affecting the global energy sector

In recent years, the energy prices are characterized by high volatility, mainly due to global events and changes. The outbreak of the Covid-19 crisis led to a sharp drop in energy prices in the first half of 2020, and in 2021, with the recovery of global economic activity, there were dramatic changes in the global energy market that led, among other thigs, to a sharp rise in the prices of energy products.

Following the invasion of Ukraine by the Russian army in early 2022, there was a sharp rise in energy and commodity prices, against the background of cessation of Europe's dependence on the import of energy products from Russia, which continued until mid-2022, while in June 2022, Brent oil reached a record price of more than approx. USD 120 per barrel, and in September 2022, the price of natural gas in the UK reached 633 pence/therm.

Since mid-2022, there has been a decline in energy prices on global markets, which is attributable to signs of a global economic slowdown and fear of deepening of this slowdown, inter alia, due to the rapid rise of inflation that led to an increase in the base interest rate, as specified below, as well as the effect of the relatively moderate winter weather in Europe.

During the second half of 2022, global markets saw the beginning of a drop in energy prices, which continued into 2023, although in 2023, oil prices became less volatile and it is traded at between USD 70-95 per barrel. As at the end of 2023, the Brent oil price was approx. USD 78 per barrel, and as at the report approval date, Brent was approx. USD 86 per barrel.

Below is a graph of the Brent prices in USD, as from 2020:

* Source of the graph: Bloomberg.

Monetary policy and inflation rate in Israel

The inflation rate in 2022 exceeded the upper target set by the Bank of Israel, but was lower than that of most developed economies. Price increases in Israel during the said period resulted from a combination of supply factors, the most significant of which was the war in Ukraine, which led to a significant increase in energy and commodity prices, and the continued disruption in the supply chains, as well as local demand factors in light of the market's return to higher employment rates than the rates prior to the Covid-19 crisis.

In order to curb inflation, central banks started increasing interest rates, including the Bank of Israel, which has raised the base interest rate several times since April 2022 from 0.1% to a maximum rate of 4.75% set on April 25, 2023. At the beginning of 2024, for the first time after a long time, the Bank of Israel decreased the base interest rate in the market to 4.5%, which is the Bank of Israel interest rate as at the report approval date.

In the first half of 2023, the inflation environment was still relatively high and exceeded the upper limit of the price stability target; however, inflation has been curbed and is lower in Israel than in most developed economies worldwide. In the second half of 2023, the curbing of inflation continued and it is within the price stability target range set in the Bank of Israel Law, against the background of the restrictive monetary policy. The inflation rate in Israel in 2023 was approx. 3.0% compared to approx. 5.3% in 2022.

According to the macroeconomic paper published by the Research Division at the Bank of Israel in January 2024,[3] the inflation rate in 2024 is expected to be 2.4%. This forecast expresses the

[3] https://www.boi.org.il/73174.

curbing of inflation compared to 2023, and reflects a trend that began even before the War, due to the effect of world developments and local monetary policy, and the decline of demand for consumption. In contrast, there could be supply disruptions due to the War, which may be expressed in increased prices of products and services. These restrictions include harm to the labor supply against the background of mobilization of reserves for the War, as well as harm to the production capacity in the border areas and disruption of the supply chain.

In the financial stability report of the second half of 2023 published by the Bank of Israel on January 31, 2024, which focuses on analyzing the implications and risks of the War on the Israeli economy, the authors noted, among other things, that the key risk scenario for global financial stability is renewed outbreak of inflation in the world, which will lead to further monetary reduction by central banks, and maybe even stagflation. In such a scenario, banks - including those defined as systematically important in many key countries - may struggle; therefore, there might also be implications on the local banking system.

Since most of the Group’s operations are in the energy sector through investees, energy prices changes have a significant effect on the Group’s operating results. The energy product prices and inflation rate also affect the operating costs of oil and gas production as well as the development costs of the Group’s projects, including development, appraisal and exploration drilling. For further details, see Sections 7A and 7B to the Report of the Board of Directors.

Forward-looking information - The Company's assessments concerning the possible implications of the war in Ukraine, inflation and rising interest rates, for the Company and its investees constitute forward-looking information as defined in Section 32A to the Securities Law. This information is based on the Company's assessments, as of the report's approval date, concerning global macroeconomic factors outside the Company's control, and so there is no certainty that the Company's assessments will materialize.

1.6.8. The financial position of the Group and its subsidiaries

On December 31, 2023, the Company (separate) has working capital of approx. NIS 0.2 billion and the Group (consolidated) has working capital of approx. NIS 0.8 billion.

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

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

1.7 Energy in Israel Segment

1.7.1 General

The Company's activities in the Energy in Israel segment are carried out through its holdings in NewMed Energy – Limited Partnership[1] (hereinafter - "**NewMed Energy**" or the "**Partnership**"), which holds the rights in oil assets in the Mediterranean Sea where significant gas reservoirs were discovered, including the Leviathan Reservoir, and the Aphrodite Reservoir in Cyprus. Since its founding, the Partnership engages mainly in the exploration, development, production and sale of natural gas, condensate and oil in Israel, Cyprus and Morocco, and also assesses and promotes options for investments in renewable energy projects.

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

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

(a) The Company's holdings in NewMed Energy

(1) NewMed Energy is a public limited partnership, within its meaning in the Partnerships Ordinance [New Version], 1975 (hereinafter - "**Partnership Ordinance**"), which was established under a partnership agreement signed on July 1, 1993 (as amended from time to time) between NewMed Energy Management Ltd. (hereinafter - the "**General Partner**") as the general partner of the first part and NewMed Energy Trusts Ltd. as the limited partner of the second part (hereinafter - the "**Limited Partner**")[2] (hereinafter - the "**Partnership Agreement**"). The Partnership was incorporated on July 25, 1993, in accordance with the Partnership Ordinance. The Partnership Agreement, as amended from time to time, constitutes the articles of association of the Partnership.

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

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

On July 1, 1993, the limited partner and the Commissioner signed a trust agreement (as amended from time to time) (hereinafter - the "**Trust Agreement**"), conferring on the Supervisor supervisory powers over the Partnership's management by the general partner and supervisory powers over the fulfillment of the limited partner's obligations to the holders of the Units.

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

According to the TASE Rules and Regulations, the Partnership may perform only oil and gas exploration, development and production projects defined in the Partnership's agreement, or an amendment thereof approved by a general meeting of unit holders. The TASE Rules and Regulations also allow the Partnership, under certain conditions, to invest in projects not defined explicitly in the Partnership agreement, as well as in renewable energy projects.

(2) On May 17, 2017, the merger between the Partnership and Avner Oil Exploration - Limited Partnership (hereinafter - "**Avner**" or the "**Avner Partnership**") was completed, such that all

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

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

the assets and liabilities of Avner were transferred as is to the Partnership, the Limited Partnership issued participation units to the holders of the participation units in Avner Partnership, and Avner Partnership was liquidated without dissolution and was struck off from the records of the Registrar of Partnerships (hereinafter - the “**Merger**” or the “**Merger of the Partnerships**”).

(3) As at the report approval date, the Company holds, directly and indirectly, approx. 54.7% of the unit capital issued by the Limited Partner (hereinafter - the “**Issued Unit Capital**"), as follows: (a) The Company directly holds approx. 5.1% of the Issued Unit Capital. (b) Delek Energy holds approx. 43.5% of the Issued Unit Capital as at the report approval date; (c) The General Partner holds approx. 5.6% of the Issued Unit Capital as at the report approval date; and (d) Delek Energy holds 50% of the share capital of Avner Oil and Gas Ltd., which, as at the report approval date, holds 0.96% of the Issued Unit Capital (the share of Delek Energy – 0.48%).

(b) <u>The Partnership’s oil assets</u>

(1) As of the report approval date, the Partnership’s main business is exploration, development, production and marketing of natural gas, condensate, and oil in Israel and Cyprus, and promotion of various natural gas-based projects, with the aim of increasing natural gas sales the Partnership produces. At the same time, the Partnership is examining various business opportunities with similar characteristics to the current projects (for details in connection with an exploration license in Morocco, see Section 1.7.8 below), and is examining and promoting options to invest in projects in the renewable energy field, as part of the cooperation with Enlight Renewable Energy Ltd. (hereinafter - “**Enlight**”), as set forth in Section 1.7.11 below, and is also examining the possibility of going into hydrogen, including blue hydrogen that is produced from natural gas and that can be a low-carbon alternative for energy consumers.

(2) The Partnership’s key oil asset at the report's approval date is a 45.34% (out of 100%) stake in the I/14 Leviathan South and the I/15 Leviathan North leases (hereinafter - the “**Leviathan South Lease**" and the “**Leviathan North Lease**", respectively, and jointly - the “**Leviathan Leases**”). The Leviathan natural gas reservoir was discovered in the area of the Leviathan Lease, including a 2P natural gas discovery, as at December 31, 2023, in a total volume of approx. 15.2 TCF (100%). Commercial production from the Leviathan Reservoir began in December 2019. For information about the Leviathan Project, see Section 1.7.4 below.

(3) In addition to the rights in the Leviathan Reservoir, the Partnership holds rights at a rate of 30% in the Aphrodite natural gas reservoir discovered in the area of Block 12 in Cyprus (hereinafter - "**Aphrodite**" or "**Block 12**"). The Aphrodite Reservoir is attributed 2C contingent resources totaling approx. 3.54 TCF (100%). For information about the Block 12 oil asset, see Section 1.7.5 below.

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

A. Rights in the Yam Tethys project in the I/7 Noa and I/10 Ashkelon leases (hereinafter - the “**Noa Lease**” and the “**Ashkelon Lease**”, respectively, as outlined in Section 1.7.6 below).

B. The rights of the Partnership to royalties from the I/16 Tanin and I/17 Karish leases (hereinafter - the "**Tanin Lease**" and the "**Karish Lease**", respectively) (as detailed in Section 1.7.7 below).

C. The Boujdour Atlantique Exploration License, in the Atlantic Ocean off the coast of Morocco is expected to be received. For details see Section 1.7.8 below;

D. Exploration licenses in Cluster “I” in the area of Blocks 4, 5, 6, 7, 8 and 11 in the EEZ of Israel are expected to be received. For details see Section 1.7.9 below.

(5) The operators of the Leviathan and Aphrodite Reservoirs are Chevron Mediterranean Limited (hereinafter - "**Chevron**") and Chevron Cyprus Limited (hereinafter - "**Chevron Cyprus**"), respectively, both subsidiaries of a wholly owned Chevron Corporation subsidiary (hereinafter - "**Chevron Corp**").[3]

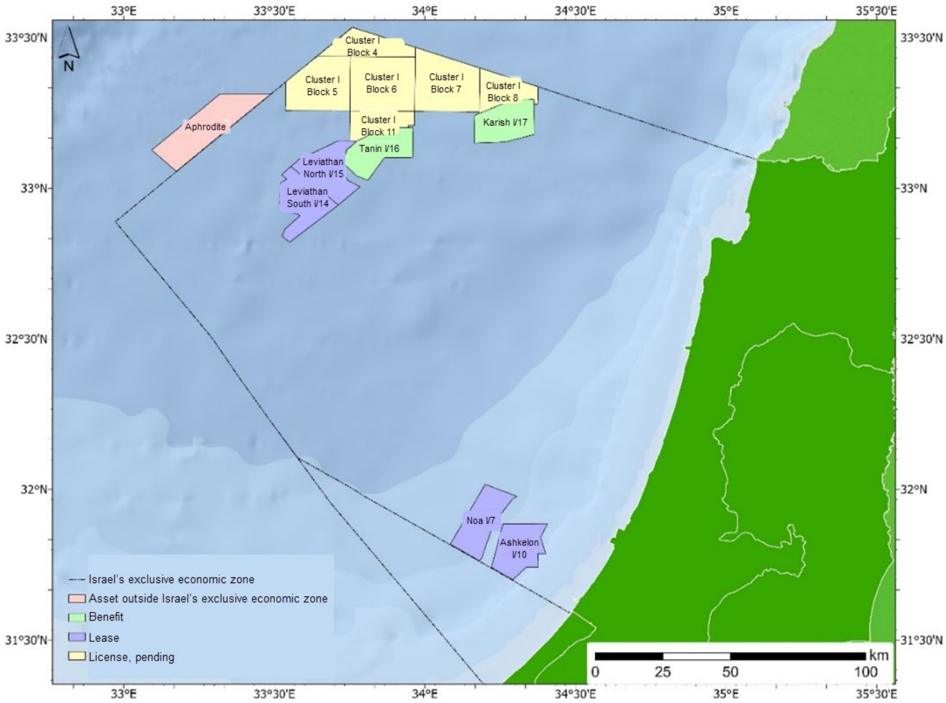
(c) <u>The Company's rights to royalties</u>

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

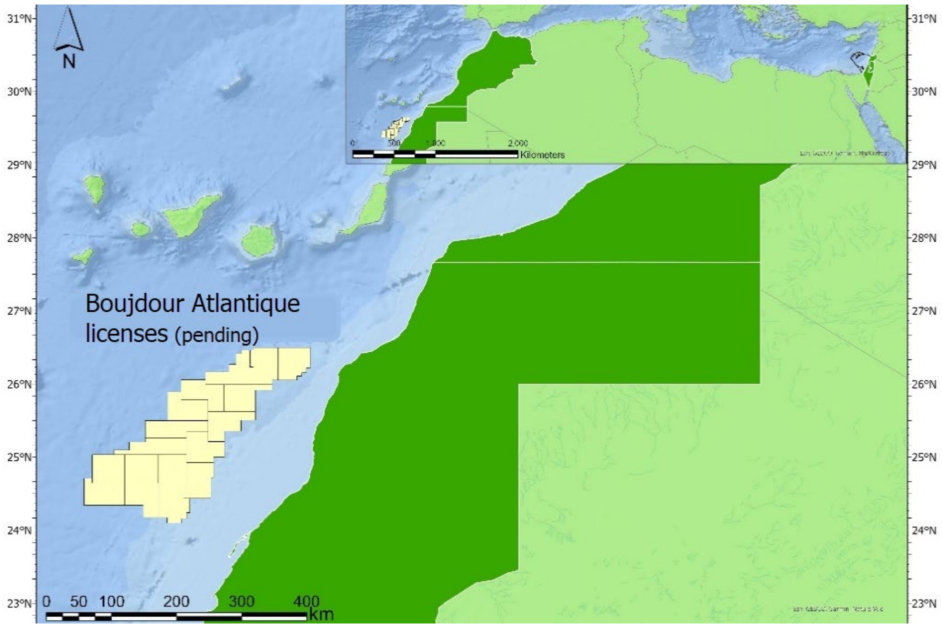
(1) Under the 1993 agreement for the transfer of oil rights to the Partnership described in Section 1.7.12(h)(2) below (hereinafter - the "**1993 Agreement**"), the Company and Delek Energy hold the rights to royalties from the Partnership (the Company's share, 25% and Delek Energy's share, 75%), at a rate of 1.5% before the investment recovery date and 6.5% after the investment recovery, of the Partnership's share in all the oil assets in which it has, or will have, interests. For a description of the rights to royalties of the Company and Delek Energy under the 1993 Agreement, see Section 1.7.12(h)(2) below.

(2) In October 2020, the Company and Delek Energy transferred rights to receive royalties from the Leviathan projects under the 1993 Agreement, to Delek Leviathan Overriding Royalty Ltd., a special purpose subsidiary (100%) of Delek Energy (hereinafter - "**Delek Leviathan**"). As at the report approval date, Delek Leviathan's rights are pledged to secure repayment of a loan provided by lenders in favor of Delek Leviathan. For further details, see Section 1.7.22(d) below.

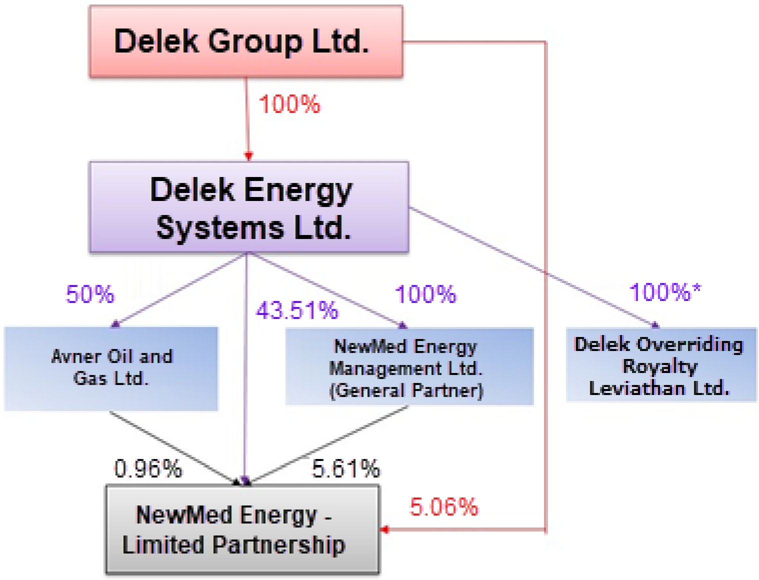
(d) Map of all locations of the Company's oil assets in the Israel and of the location of the license in Morocco.



[3] Chevron Corp is a foreign public company whose shares are traded on the NYSE. To the best of the Company's knowledge, there is no single shareholder holding more than 10% of the issued share capital of Chevron Corp.



(e) <u>The chart below presents the Company's main holdings in the Energy in Israel segment as at the report approval date:</u>



(f) On March 27, 2023, the General Partner received a non-binding indicative offer letter (hereinafter - the "**Offer**") from Abu Dhabi National Oil Company (ADNOC) P.J.S.C. and BP Exploration Operating Company, two international energy companies (hereinafter, collectively: the "**Consortium**"), regarding a potential transaction in which the Consortium will purchase all of participation units held by the public and some of the units held by the Company, for cash, subject to certain conditions (hereinafter, in this section - the "**Transaction**").

On March 27, 2023, the general partner's board of directors resolved to appoint the audit committee, which includes only 3 external directors (hereinafter in this section - the "**Committee**"), to assess and decide on any issue related to the acquisition of units held by the public under the Transaction. During 2023, the Committee held regular meetings to promote the transaction, with the assistance of legal and financial advisors who were appointed for this purpose, and at the same time, the consortium conducted due diligence regarding the Partnership, and its assets and business.

On March 13, 2024, the Partnership and Committee announced in immediate reports that the Committee and Consortium agreed, against the background of uncertainty formed in the external environment, to suspend the discussions on the transaction. They also announced that the Consortium re-expressed interest in the transaction, and that the process will be suspended until the discussions are renewed or the processes is terminated. It should be noted that there is no certainty that the discussions will be renewed or that an agreement will be reached in future, and there is no certainty regarding the terms and conditions of the agreement, if reached.

Forward-looking information warning – the above information in connection with the Transaction constitutes forward-looking information, as defined in the Securities Law, 1968 (hereinafter - "the Securities Law"). To emphasize, at this stage, there is no certainty regarding the completion of the Transaction and its performance, as they depend on conditions that are not under the control of the Partnership or the Company.

1.7.2 **General environment and effect of external factors**

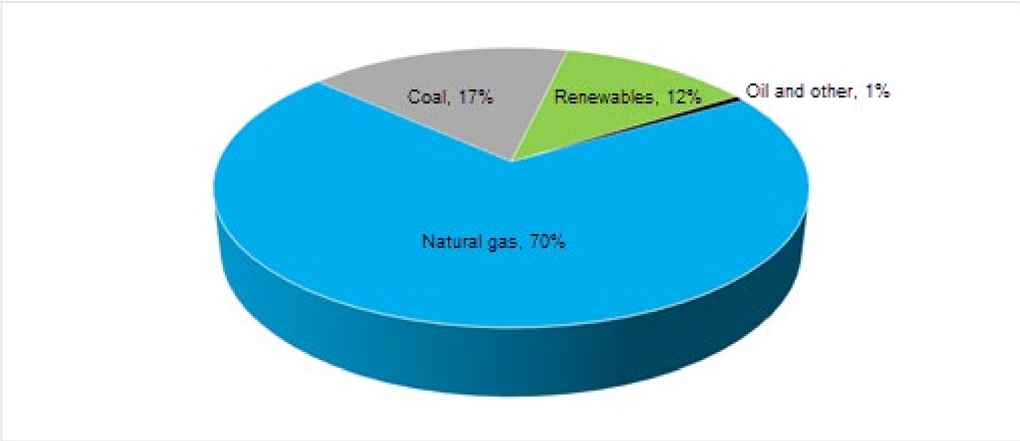
(a) The Petroleum Law, 1952 (hereinafter - the "**Petroleum Law**"), governs the regulation of the exploration, development, and production of oil and natural gas in Israel, and stipulates, among other things, provisions on royalty payments to the state, and that oil and gas explorations in Israel may only be performed in geographical areas where the exploring entity holds oil and gas rights under the Petroleum Law. The Natural Gas Sector Law, 2002 (hereinafter - the "**Natural Gas Sector Law**") regulates the transmission, distribution, marketing, and storage of natural gas and/or liquefied natural gas ("LNG") in Israel. In addition, the Taxation of Profits from Natural Resources Law, 2011 (hereinafter - the "**Taxation of Profits from Natural Resources Law**") Law regulates, among other things, tax issues, and Petroleum Profits Levy. For more information regarding the Petroleum Law, the Natural Gas Sector Law, and the Taxation of Profits from Natural Resources Law, see Sections 1.7.12(d), 1.7.12(e) and Note 28H to the financial statements, respectively.

(b) The economic viability of investments in exploration and development of natural gas reservoirs is heavily dependent on global oil and gas prices, including LNG prices, the demand for natural gas in local, regional, and international markets and on the export potential of natural gas (through pipelines, compressed or in liquid form). The ability to export natural gas requires, inter alia, significant gas reserves, obtaining export permits from the Ministry of Energy and Infrastructures (hereinafter - the "**Ministry of Energy**") and long-term agreements for the same of natural gas in significant quantities, which would justify the heavy investments required to establish suitable infrastructure and/or the payments for usage fees for existing infrastructure. In addition, the amount of royalty payments to the state has a significant effect on the economic viability of investments in oil and gas projects.

(c) Development of the natural gas market in Israel began in 1999-2000 with the discovery of the Noa Reservoir in the Noa Lease and the Mari B Reservoir in the Ashkelon Lease. Subsequently, in 2009, the Tamar and Dalit natural gas reservoirs were discovered, in 2010, the Leviathan Reservoir was discovered, followed by the discovery - in 2012 and 2013 - of the Tanin and Karish Reservoirs, respectively. Note that the Partnership was a partner in all of the above-mentioned discoveries.

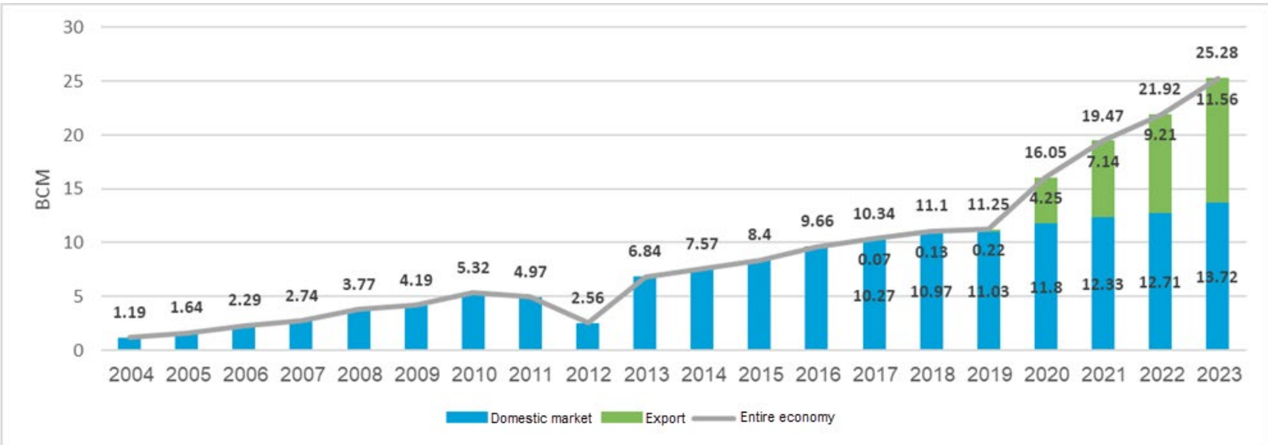
In 2004, natural gas began to flow from the Yam Tethys project through the INGL transmission system. The first to be connected were the facilities of Israel Electric Corporation Ltd. (hereinafter - "**IEC**") and large industrial plants. Later on, with first gas from the Tamar Project in 2013, independent power plants and other plants were connected, and the total consumption of natural gas in Israel increased alongside the progress of construction of the transmission infrastructure of INGL and the connection of large consumers (including the Israel Electric Corporation's power plants and independent power producers) to the transmission system and the connection of smaller consumers to the distribution system. In December 2019, commercial production began from the Leviathan project for the local market. In October 2022, Energean Oil and Gas Plc (hereinafter - "**Energean**") reported that the piping of gas from the Karish Reservoir has started. In May 2023, Energean received approval for the discovery of the "Captain" natural gas reservoir in the "12" exploration license granted to Energean in 2018. The Captain Reservoir is located in the area between the Karish and Tanin Reservoirs, and according to Energean's reports, approx. 68 BCM of natural gas is attributed to it.[4]

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



* Data source: BDO Consulting Group analysis of Noga - Israel Independent System Operator Ltd. and Israeli Electricity Authority data.

(e) According to date from the Ministry of Energy, the quantity of natural gas consumed in Israel has increased from approx. 6.8 BCM in 2013 to approx. 13.7 BCM in 2023. In 2017, natural gas was first exported from the Tamar Reservoir to Jordan, in a limited volume, and in 2020, the export of natural gas to Egypt from the Leviathan and Tamar Reservoirs and the export of natural gas from the Leviathan Reservoir to Jordan began. According to Ministry of Energy announcements, the export quantity of natural gas has increased from 4.25 BCM per year in 2020 to approx. 11.6 BCM in 2023. Chart of the increase in gas quantities purchased on the local market and gas quantities supplied for export, based on Ministry of Energy reports.[5]



The table below presents the sales figures for 2022-2023 by the different gas suppliers and a breakdown of sales to the local market and export, based on Ministry of Energy reports,[6] that

4 The Ministry of Energy, New Captain Discovery in Israel's EEZ, May 31, 2023: https://www.gov.il/he/departments/news/news-310523

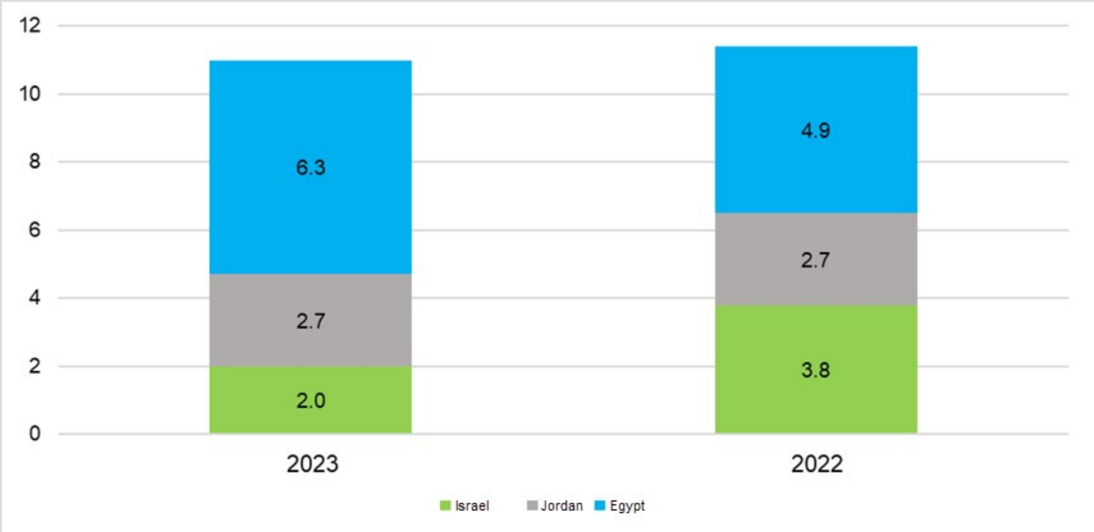
5 https://www.gov.il/he/departments/publications/reports/ng-overview
https://www.gov.il/he/departments/publications/reports/income_reporte

6 See Footnote 5 below.

were summarized and calculated based on Ministry of Energy data and methodology and for which there may be differences between the figures on the following table and those published by the different gas suppliers, including the Partnership:

	2023			**2022**		
	Domestic market	**Export**	**Total**	**Domestic market**	**Export**	**Total**
Leviathan	2.19	9.00	11.19	3.80	7.66	11.46
Tamar	6.61	2.56	9.17	8.60	1.56	10.16
Karish-Tanin	4.92	-	4.92	0.29	-	0.29
Offshore platform	-	-	-	0.05	-	0.05

In 2022, a quantity of approx. 3.8 BCM of natural gas was supplied from the Leviathan Reservoir to the local market and a quantity of approx. 2.7 BCM and approx. 4.9 BCM was supplied to Jordan and Egypt, respectively, and in 2023, a quantity of 2 BCM of natural gas was supplied from the Leviathan Reservoir to the local market and a quantity of approx. 2.7 BCM and approx. 6.3 BCM was supplied to Jordan and Egypt, respectively, as outlined in the following chart.



The report published by the Ministry of Energy on January 24, 2024, that reviews developments in the natural gas market and summary for 2022, presents a breakdown of the consumption of natural gas produced in 2022 (in BCM terms) between the local market and export market, and according to the different uses:

Years	Entire economy	Domestic market	Electricity generation	Industry (including distribution)	Distribution grid only	Export	Export to Jordan*	Export to Egypt*
2022	21.92	12.71	10.10	2.61	0.353	9.21	3.40	5.81
2021	19.50	12.33	9.71	2.62	0.299	7.14	2.91	4.23
2020	16.11	11.8	9.29	2.51	0.254	4.25	2.09	2.16
2019	11.28	11.03	8.81	2.22	0.262	0.22	0.22	0
2018	11.13	10.97	9.08	1.89	0.194	0.13	0.13	0
2017	10.35	10.27	8.54	1.73	0.160	0.07	0.07	0
2016	9.66	9.66	8.04	1.62	0.106	0	0	0

The Partnership believes, inter alia, based on studies it commissioned from independent consulting companies, that by 2040, natural gas consumption in Israel will almost double, among other things, due to the following: connection of future gas suppliers to the national transmission system; the government's policy to phase out electricity production using coal by the middle of the current decade; an external increase in demand for electricity (due, among other things to the sizable penetration of electric vehicles and continued construction of water desalination facilities); the increased use of compressed natural gas (hereinafter - "**CNG**") in some of the transportation sectors; the accessibility of natural gas to other industrial plants and the agriculture sector in Israel, including through a government program to support companies that have a government concession to install pipelines, and enact legislative amendments to introduce changes in the distribution segment, for the purpose of improving the distribution system; the use of gas in additional sectors, such as services, development of natural-gas based industries (such as the production of blue hydrogen and development of petrochemical plants to produce ammonia, which consume natural gas); all of the above is in addition to the natural growth in demand for natural gas and electricity in Israel due to external projects such as electrification of the train system, construction of desalination facilities, natural population growth and a rise in the standard of living. Notwithstanding the above, the increase in demand for natural gas may decrease in the coming years, due to the government policy regarding the reduction of greenhouse gas emissions and the encouragement of use of renewable energies.

(f) The Iron Swords War

With the outbreak of the Iron Swords War on October 7, 2023, the Tamar partners suspended the production of gas from the Tamar Reservoir pursuant to the directive received by the operator from the Ministry of Energy. Gas production from the Tamar Reservoir resumed on November 13, 2023. It should be noted that production from the Leviathan and Karish Reservoirs continued as usual, without any break. However, due to the said suspension of the production from the Tamar Reservoir, the Leviathan Partners also supplied natural gas to several Tamar Reservoir customers on the local market, mainly the IEC, and as a result, the quantity of natural gas exported to Egypt decreased. In parallel, due to the war, the piping of gas through the EMG pipeline was suspended and resumed on November 14, 2023. During that period, all gas supplied to Egypt was transmitted through the Jordan North export pipeline and the Jordanian transmission system. Transmission of gas to Egypt in this way involves extra transmission costs. As a result of the above, the quantity of natural gas supplied to Egypt in October and November 2023 constituted approx. 84% of the monthly contractual quantity which the Leviathan Partners undertook to supply under the export agreement.

Since the outbreak of the War and up to the report approval date, production from the Leviathan Reservoir is continuing as usual, and accordingly, there was no significant impairment of the Partnership's revenues and profitability. However, as a result of the war, operating expenses involved in the production of gas increased at a non-material rate, mainly due to difficulty of foreign companies in sending work crews to the region, which led to an increase in shipping prices and the need for further logistics measures to transport personnel and equipment. Furthermore, scheduled maintenance measures were postponed, revised or adjusted.

In addition, due to the War, several projects which the Leviathan partners are promoting were delayed as follows:

(a) The work of laying the offshore Ashdod-Ashkelon pipeline under the Combined Section project. For further details, see Section 1.7.12(b) below:

(b) The condensate flow commencement date to the Ashdod Oil Refinery Ltd. through the pipeline of Petroleum and Energy Infrastructure Ltd. For further details, see Section 1.7.13D(3) below.

As at the report approval date, there is a great deal of uncertainty and is impossible to estimate how the War will develop, whether it will expand to other areas, how long it will last, and its results and implications. Under such circumstances, it is impossible to assess the likelihood that the risk factors due to the War will materialize and their possible effect on the Partnership, its assets and business.

(g) Inconsistencies in the linkage components in the natural gas price formulas

The gas prices specified in the Leviathan Project natural gas sale agreements are based on various price formulas, which mainly include linkage to the Brent-price per barrel, linkage to the electricity production tariff, as determined from time to time by the Public Utility Authority – Electricity (hereinafter - the "**Electricity Production Tariff**"), linkage to the NIS/USD exchange rate, and linkage to the DSM Tariff published by the Israeli Electricity Authority, and the refining margin index (hereinafter, jointly - the "**Linkage Components**").[7] It should be

[7] Note that in addition to the effect of changes in the Brent-price per barrel, the Partnership's business is also indirectly affected by the price of natural gas and other alternative energy products, as determined in the global markets. For further details, see Section 1.7.3(d) below.

noted that natural gas sales agreements stipulate floor prices, excluding agreements where the price is fixed, and hence, the Partnership's exposure to fluctuations in the Linkage Components in these agreements is mostly hedged at the low end. For details on the potential effect of changes in the various Linkage Components on the Partnership's business, see Section 1.7.12(b) below.

(h) Regulation

The field of exploration, development, production, transport and decommissioning of oil and natural gas assets is subject to regulation in the countries in whose territory this activity takes place. In Israel, the field is subject to extensive regulation of oil assets (including rules on granting, transferring, and encumbering); conditions regulating development, production, and supply (including the construction of transmission, distribution, and consumer connection infrastructures); royalties and taxation, export, environmental regulation, antitrust laws, etc. Following the Partnership and its partners' gas discoveries over the years in the various oil assets in Israel's EEZ, there has been a significant increase in the scope of regulation in the fields of energy and the environment in Israel in general, and in connection with natural gas ventures in particular.

For details regarding the limitations on and supervision of natural gas and/or oil exploration, development, and production activities in Israel and Cyprus, see Section 1.7.25 below.

(i) Demand and supply conditions

For details regarding supply and demand in global markets and in the domestic market, see Sections 1.7.3(c), 1.7.13, and 1.7.14.

1.7.3 **General information about the operating segment**

(a) Structure of the operating segment and changes therein

Activities of oil and natural gas exploration, development, production, transport and decommissioning of natural gas and oil reservoirs and facilities (hereinafter in this section, the "**Activity**") are complex, involving considerable costs and significant uncertainty as to costs, schedules, availability of oil or natural gas and the ability to produce it while maintaining economic viability. Consequently, notwithstanding the heavy investments, exploration, including the exploration and appraisal drilling, very often does not provide positive results and does not generate any revenues whatsoever and may result in the loss of most or all of the investment in a relatively short period.

The activity is usually performed as joint ventures between a number of partners who sign a joint operation agreement (hereinafter - the "**Joint Operating Agreement**" or the "**JOA**"), under which one of the Partners is appointed as the operator of the joint venture and may include, inter alia, the following stages:

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

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

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

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

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

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

(7) Exploration drilling including logs and other tests.

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

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

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

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

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

(13) Development of the reservoir, including production drillings, laying the transmission pipelines, constructing treatment facilities, constructing systems to transport gas and/or oil to the customers, etc.

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

(15) Decommissioning of the infield's facilities after the reservoir was depleted, and after weighing various technical, economic and regulatory parameters. The decommissioning actions may include, inter alia, plugging wells, washing, dismantling, and decommissioning the facilities, and rehabilitating the lease area, to the extent required, according to the different regulators' instructions and accepted local standards.

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

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

As outlined above, the commercial viability of an oil and/or gas finding is complex and depends on many different factors. In this context, there are significant differences between an offshore finding, the development of which requires financial inputs and the use of special technologies, such as deep-water drilling or laying underwater pipelines and facilities capable of operating with high levels of reliability in deep waters, and an onshore finding, where development costs may be significantly lower. In addition, the financial, logistical and technical inputs required to develop a natural gas reservoir, including for establishing the components used for the transmission and/or transportation of the natural gas that is intended for export to the regional or international market, are generally significantly higher compared with those required for the development and production from a natural gas reservoir intended exclusively for the local market. Another key variable is demand and price in the target markets. It is extremely difficult to develop a project of a material scope when natural gas demand and prices do not economically justify the cost of developing it, as stated below, and/or do not allow raising of project financing. There are also material technological, marketing and economic differences between oil reservoirs and natural gas reservoirs. Thus, for example, the economic viability of a natural gas reservoir generally derives from its marketability to a guaranteed attractive destination over the years, since natural gas, unlike oil, is not a commodity sold at similar prices worldwide, inter alia since its transportation to target markets may be complex and entail liquefaction or compression. Furthermore, the commercial viability of an oil reservoir is greatly affected by global oil prices - for example, a reservoir that is commercially unviable when the price of oil is USD X a barrel may become commercially viable when the price increases to X USD 1.5 and vice versa. In view of the above, an oil and/or natural gas reservoir that is commercially non-viable under certain market conditions may become commercial if significant changes occur in market conditions and regulation, and vice versa.

(b) <u>Restrictions, legislation, standards, guidance, and special constraints that apply to this operating segment</u>

For details, see Section 1.7.25 below.

(c) <u>Market developments or changes in the characteristics of customers</u>

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

At the same time, and in view of the significant quantity of resources discovered on Israel's coast, mainly the Leviathan and Tamar natural gas reservoirs, the Partnership is taking steps to identify markets and other customers in the local market and in neighboring countries and/or LNG markets in Europe and Asia, subject to restrictions on gas exports, as detailed in Section 1.7.12(h). The Partnership is also promoting use of infrastructure now in existence and/or that will exist in the foreseeable future and/or that will be built specifically for the purpose of exporting natural gas, and additional ways to export natural gas, including by way of liquefaction (LNG) and/or compression (CNG). For further details in this matter, see Sections 1.7.14(i) and 1.7.14(k) below. In this context, it is noted that on June 15, 2022, Israel, Egypt, and the EU signed a memorandum of understanding for cooperation in the trade, transportation, and export of natural gas to EU countries (hereinafter in this section - the **"MoU"**).[8]Under the MoU, the parties will take steps to ensure a regular supply of natural gas to EU countries from Egypt, Israel, and other countries, through the liquefaction of natural gas at the liquefaction facilities in Egypt. This is subject to maintaining energy security in the local market of each of the countries that are party to the MoU, without preventing Israel or Egypt from exporting natural gas to other countries. The MoU also stipulates that the EU will encourage European companies to participate in competitive processes and invest in natural gas exploration and production projects in Israel and Egypt.

In addition, the Partnership is exploring and promoting possible investments in renewable energy projects as part of the collaboration with Enlight, as specified in Section 7.9 below. The Partnership is also performing a preliminary assessment of options for producing hydrogen, and among other things, blue hydrogen from natural gas.

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

General

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

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

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

Note that in recent years, there has been a significant increase in the global production capacity of LNG, partly due to the operation of new liquefaction facilities or the expansion of existing facilities, such as the liquefaction facilities in the United States, Qatar, Russia (the Arctic Circle), and Australia, and the acceleration of the construction of LNG liquefaction and regasification facilities, as a result, inter alia, of the war in Ukraine and the significantly lower volume of natural gas sold through pipelines from Russia to the European market and its replacement by LNG. This market share is expected to grow to approx. 22% by 2045, as a result of the decline in domestic gas production in some regions, which will require importing LNG in order to meet the demand for natural gas.

In 2023, the increase in global demand for LNG continued and according to estimates, amounted to approx. 404 million tons (approx. 557 BCM), which reflects a rise of approx. 1.7% compared to consumption in 2022. According to estimates, the demand for LNG is expected to grow at a rate of more than 50% by 2040, as a result, among other things, of switching to using natural gas instead of coal in China and South Asian countries, and increased demand for LNG in Europe and South-East Asian countries.

8 https://www.gov.il/he/departments/news/ng_150622

Currently, Australia, Qatar, and the United States are the world's largest LNG exporters, accounting for approx. 60% of the world's LNG supply in 2023.

Energy price fluctuations in recent years

In recent years, the energy prices are characterized by high volatility, mainly due to global events and changes. Subsequent to the outbreak of the Covid-19 crisis in the first half of 2020, which caused a decline in economic activity, LNG and natural gas prices fell on the spot markets in Europe and Asia, where natural gas prices developed independently of the oil price, and to where the excess LNG was directed. In 2021, with the global recovery in economic activity, dramatic changes occurred in the global energy sector, which led to a sharp rise in the prices of energy products. Within this, natural gas prices in Europe rose in 2021, even before the war in Ukraine broke out, to USD 35 or higher per MMBTU, i.e., more than 10 times the price in 2020. This increase is due, among other things, to the higher demand in Europe and the European reliance on increased imports of natural gas, emphasizing LNG imports in particular, as well as China's entry into the global competition for natural gas. At the same time, there was a decline in supply, arising, among other things, from a decrease in natural gas exports from Norway and a decrease in the European inland production capacity.

During 2022, LNG prices were high, and resulted in an almost complete suspension of LNG imports to Israel, Egypt and Jordan, an increase in LNG exports by Egypt, and an increase in demand for (non-liquid) natural gas in the regional market in general, and in Israel in particular.

Following the Russian army's invasion of Ukraine in early 2022, the United States and the European Union initiated a series of economic punitive measures against Russia, within which, among other things, sanctions on trade with Russia and with Russian officials were imposed, a decision was made to suspend the completion of the "Nord Stream 2" project, which was intended to double the volume of gas exports from Russia to Germany in addition to the existing Nord Stream 1 pipeline, some of the collaborations between international companies and Russian entities were discontinued, including major companies in the natural gas and oil production areas, etc. Subsequently, natural gas sales from Russia to the European market were significantly reduced, resulting in a natural gas shortage in countries that consumed significant amounts of Russian natural gas. In addition, there was a sharp decline in oil sales from Russia to Western countries.

The war in Ukraine led to a sharp and extraordinary rise in global oil and natural gas prices in 2022, and in June 2022, Brent oil reached a peak price of more than approx. USD 120 per barrel, much higher than the price levels the world has become accustomed to in former years.

Since mid-2022, there has been a decline in energy prices on global markets, which is attributable to signs of a global economic slowdown and fear of deepening of this slowdown, inter alia, due to the rapid rise of inflation that led to an increase in the base interest rate, as specified below, as well as the effect of the relatively moderate winter weather in Europe.

In 2023, there was relative stabilization of the Brent price volatility, and it was traded in the range of between USD 70-95 per barrel.

(e) Significant technological changes

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

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

(f) Critical success factors in the operating segment

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

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

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

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

(5) Successful exploration operations.

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

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

(g) Changes in capacities and raw materials

For details, see Section 1.7.19 below.

(h) Entry and exit barriers

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

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

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

(i) Substitutes for segment products

Natural gas is used mainly to produce electricity and is sold in Israel and the region mainly to electricity producers and industrial customers. In general, natural gas alternatives include: diesel fuel, fuel oil, coal, LPG, LNG, petcoke, and energy from renewable sources, such as solar and wind, energy, including renewable energy that may be produced beyond market demand and stored in energy storage facilities for use when the energy source is unavailable (for example, at night, when energy cannot be generated from solar sources). Each of these substitute fuels and alternative energy production methods have advantages and disadvantages, and they are subject to price fluctuations, availability, technical constraints, availability of land and more. The transition from use of one energy source to another usually requires considerable investment. The major advantages of natural gas over coal and liquid fossil fuels are that the energy efficiency of natural gas-fired power plants is significantly higher than that of coal- and diesel-fired power plants, and the emission of CO_2 particles and sulfur oxides and nitrogen from combustion of natural gas is significantly lower than that of coal and fuel oil. For information about the decisions of the government of Israel regarding the encouragement of use of renewable energies and the targets set for reducing greenhouse gas emissions, see Section 1.7.12(i) below. It was noted that technologies in development and/or initial integration stages (such as hydrogen, waste-to-energy, and nuclear fusion) could change the global energy market in the next few decades.

(j) Competitive structure in the field of operations

For details, see Section 1.7.16 below.

Details on oil assets to which the Company has rights:

1.7.4 **Leviathan Project**

(a) General Details

As at the report approval date, the Company's rights in the Leviathan Projects are due to its direct and indirect holdings in approx. 54.7% of the unit capital of the Partnership, which holds 45.34% of the participation rights in the project, and due to the rights of the Company and Delek Energy to royalties from the Partnership's share in the project, as set out in Section 1.7.12(h) below. The information below is correct as at the report approval date, and refers to all the Company's direct and indirect rights in the project.

General information about the oil asset	
Name of oil asset:	Leviathan North Leviathan South
Location:	Offshore assets approx. 130-140 kilometers west of Haifa
Area:	The area covered by the two leases together is approx. 500 square kilometers
Type of oil asset and description of permitted operations according to the type:	Lease; Operations permitted under the Petroleum Law - exploration and production
Original grant date of the oil asset:	March 27, 2014
Original expiry date of the oil asset:	February 13, 2044
Date of decision regarding extension of the term of the oil asset:	-
Current expiry date of the oil asset:	February 13, 2044
Note whether there is an additional option of extending the period of the oil asset: if so, note the period of the possible extension:	Subject to the Petroleum Law, may be extended by an additional 20 years.
Name of Operator:	Chevron
Names of the direct partners in the oil asset and their direct share in the oil asset and, to the best of the Company's knowledge, the names of the controlling shareholders in the partners:	▪ The Partnership (45.34%). ▪ Chevron (39.66%). ▪ Ratio Energies – Limited Partnership (hereinafter - "**Ratio**") (15%). To the best of the Company's knowledge, the General Partner in Ratio, Ratio Oil Energies General Partner Ltd., is owned by D.L.I.N. Ltd. (hereinafter - "**D.L.I.N**") (34%); Hiram Landau Ltd. (hereinafter - "**Hiram**") (34%); Eitan Eisenberg Ltd. (hereinafter - "**Eisenberg**") (8.5%), Eyal Zafriri (4.3%), Ido Porat (1.4%), Asher Porat (1.4%), Daniel Soldin (1.4%) and Adv. Boaz Ben Zur and Adv. Robi Behar in trust for Mr. Shlomi Shukrun (15%). D.L.I.N is a privately-held company

General information about the oil asset	
	owned by Yair Rotlevy (1/3) and Ligad Rotlevy (2/3). Hiram is a privately held company owned by Dvora Landau (1/2), Yigal Landau (1/6), Yuval Landau (1/6) and Shlomit Landau (1/6). Eisenberg is a privately-held company controlled by Eitan Eisenberg.[9]

General information about the Company's share in the oil asset	
Acquisition date of the lease for the purchased oil asset:	The Leviathan Leases were granted to the Partnership on March 27, 2014 to replace the 349/Rachel and 350/Amit licenses.
Description of the Company's holding in the oil asset:	The Partnership holds directly 45.34% in each of the Leviathan leases.
Effective share of oil asset revenues attributable to equity holders of the Company:	In the right to participate in revenue: Before investment recovery – 20.57% After investment recovery – 19.33% In right to receive royalties: Before investment recovery – 0.68% After investment recovery – 2.95% In revenue: Before investment recovery – 21.25% After investment recovery – 22.28%
Total share of equity holders of the Company in the cumulative investment in the oil asset in the five years preceding the last day of the reporting year (whether recognized as an expense or as an asset in the financial statements):	Approx. USD 751,536 thousand

(b) Main terms of the Leviathan Leases

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

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

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

(4) Scope of the lease

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

B. The leaseholder, at its sole responsibility, will plan, finance, construct, and operate the production system and will maintain it for the purpose of its ongoing operation, through the operator, contractors, planners, and consultants who have a high level of expertise and

9 To the best of the Company’s knowledge, as at the report approval date, the interested parties in Ratio Yam held approx. 23.63% (other than the holding in mutual funds and provident funds).

extensive experience in their fields, in such manner so as to enable the reliable, regular, proper, and safe supply of oil and natural gas from the Leviathan field.

(5) Term of the lease

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

(6) Sales to consumers in Israel and for export

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

The export of natural gas from the lease requires written approval from the Petroleum Commissioner with the approval of the Minister of Energy (hereinafter, in this section - the "**Export Approval**"). Export Approval will be granted in accordance of the government resolution regarding export and subject to the conditions therein, and in compliance with the law; and provided that actual export will only be permitted if, after implementation of the development plan, the local market is supplied with 500 BCM in accordance with the government resolution.[10] In addition, exports will not be permitted in a manner that harms the leaseholder's ability to supply natural gas from the Leviathan field to the national transmission system, in an amount of at least 1.05 MCM of gas per hour (from the areas of both Leviathan Leases). Notwithstanding the aforesaid, the Petroleum Commissioner may consider decreasing the amount that the leaseholder is required to supply from the Leviathan field to the national transmission system as aforesaid, if there is, among other things, another leaseholder that will receive a lease after March 27, 2014, that supplies or is expected to supply, within a reasonable period, gas to the national transmission system.

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

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

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

B. The leaseholder may, subject to receiving written approval from the Petroleum Commissioner and the Director General of the Natural Gas Authority, as applicable, increase the capacity of the production system and transmission system to the supplier, and add facilities and wells, in a manner that will allow the piping of gas to the national transmission system in quantities exceeding those stated in subsection a above.

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

(8) Commercial production

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

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

---

[10] For information about the government resolutions regarding export, see Section 1.7.20(H) below.

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

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

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

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

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

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

(9) <u>Supervision companies</u>

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

(10) <u>The development plan</u>

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

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

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

(11) <u>Change of terms and conditions of the lease deeds</u>

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

(12) <u>Revocation of or restriction on the lease</u>

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

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

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

(13) Decommissioning plan

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

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

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

(14) Guarantees[11]

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

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

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

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

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

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

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

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

---

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) <u>Compliance with the terms and conditions of the work plan in the Leviathan Project</u>

Beyond what was stated in the terms of the Leviathan title deeds, as specified in Section (d) above, no binding work plan has been drawn for the Leviathan project.

(d) <u>Actual and planned work plan for the Leviathan Project</u>

The table below includes a summary of the main operations actually performed in the Leviathan Project since January 1, 2021 through to the report approval date and a summary of the planned operations in the project:

Leviathan Leases			
Period	**Summary of actual operations in the period or of the planned work plan**	**Estimated total budget for operations on the level of the oil asset (USD thousand)**[12]	**Actual participation of the Company's equity holders in the budget (in USD thousand)**
2021[13]	• Costs associated with the completion of Phase 1 - First Stage, including actions related to the systems' integrity (Asset Integrity), and improvement of the production and safety systems. In addition, operation of the onshore condensate system, including full operation of the Hagit site.	Approx. 35,546	Approx. 8,810
	• Preliminary design and purchase of equipment for the Leviathan-8 drilling in the area of the I/14 Leviathan South lease (hereinafter - "**Leviathan-8**").[14]	Approx. 19,092	Approx. 4,732
	• Planning of maintenance work and improvements to the subsea electrical and control systems.	Approx. 6,480	Approx. 1,606
	• (a) Assessment of Phase A - Second Stage and/or other development alternatives, as required; (b) assessment of other alternatives for transmitting condensate, as part of the preparation for Phase A - Second Stage; and (c) formulation of an alternative for exporting natural gas through a subsea pipeline and/or liquefaction (including FLNG), among other things, through an agreement for obtaining engineering services to produce a detailed front end engineering design (FEED).	Approx. 8,072	Approx. 2,001
	• Various other measures, such as continued production from the Leviathan Reservoir, ongoing operation and maintenance, monitoring activity, revision of the geological and flow models, and formulation of a prospect for deep-sea targets.	Approx. 211	Approx. 52
2022	• Continued improvement of the production systems and processes, including taking the measures required to reduce pressure drops in the process, as well as improvement of environmental and safety monitoring and detection systems, in accordance with operational and regulatory requirements.	Approx. 23,185	Approx. 5,746

12 The amounts for 2021-2023 are amounts that have actually been expended and audited in the financial statements.

13 The costs, budgets and actions listed as from 2021 do not include approved costs and budgets in respect of: (a) adding another compressor at an amount of approx. USD 39.9 million (100%, the Leviathan partners' share is approx. USD 27.6 million, the Company's share - approx. USD 6.8 million); (b) construction of the Combined Section at an amount of approx. USD 140 million (100%, the Leviathan partners' share is approx. USD 96.6 million, the Company's share - approx. USD 23.9 million); (c) construction of the Nitzana Pipeline at an amount of approx. USD 29 million (100%, the Leviathan partners' share is approx. USD 14.5 million, the Company's share - approx. USD 3.6 million); (d) conversion of the Energy Infrastructures pipeline to pipe condensate at an amount of approx. USD 26.6 million (100%, the Company's share - approx. USD 6.6 million); (e) the FAJR+ project at an amount of approx. USD 75 million (100%, the Leviathan partners' share is approx. USD 37.5 million, the Company's share - approx. USD 9.3 million); and (f) the cost of decommissioning the reservoir and insurance, administrative and general expenses.

14 On July 12, 2021, the Leviathan partners reached a decision regarding the Leviathan-8 development and production drilling in the area of the I/15 Leviathan North lease. The approved budget for the project was approx. USD 248 million (100%, including completion and connection to the production system of the Leviathan Reservoir). The project was completed in June 2023 with connection of the well to the production system and start of gas piping from it, according to schedule and under the planned budget.

Leviathan Leases			
Period	**Summary of actual operations in the period or of the planned work plan**	**Estimated total budget for operations on the level of the oil asset (USD thousand)** [12]	**Actual participation of the Company's equity holders in the budget (in USD thousand)**
	• Completion of engineering activities related to the development of Phase 1 - First Stage.	Approx. 11,056	Approx. 2,741
	• Performance of maintenance works and improvements to the subsea electrical and control systems.	Approx. 6,482	Approx. 1,607
	• Performance of the development and production drilling in Leviathan-8 and subsea work in preparation for connecting the drilling to the production system.	Approx. 121,026	Approx. 29,996
	• Continued update of the geological model and flow model, among other things, according to drilling and production data and plans for additional drilling, to the extent required.	Approx. 102	Approx. 25
	• Continued assessment of Phase 1 - Second Stage and/or other development alternatives, as required, including an alternative for export of natural gas through a subsea pipeline and/or liquefaction (FLNG). Among other things, through preparation for a FEED, detailed engineering design, and for execution.	Approx. 13,472	Approx. 3,339
	• Examination of options for increasing the natural gas exports to Egypt through land-based transmission systems. For further details, see Section 1.7.14(b)(2) below.	Approx. 2,667	Approx. 661
	• Various other activities, such as: Continued production from the Leviathan Reservoir, ongoing operation and maintenance, monitoring activity, surveys, tests, and examining options for characterizing, drilling and developing the deep-sea exploration targets.	Approx. 102	Approx. 25
2023	• The continued improvement of production in the Leviathan Platform and onshore facilities, and improvements in supportive systems and environmental systems, in accordance with operational and regulatory requirements.	Approx. 23,530	Approx. 5,830
	• Performance of maintenance works and improvements to the subsea electrical and control systems.	Approx. 6,412	Approx. 1,589
	• Completion of the Leviathan-8 drilling and connection to the existing production system.	Approx. 54,983	Approx. 13,627
	• Performance of a Pre-FEED in a tender between international groups specializing in the design and construction of FLNG facilities, within the promotion of alternatives for the development of Phase 1 - Second Stage.	Approx. 36,165	Approx. 8,963
	• Performance and completion of a pre-FEED to expand production in the Leviathan Reservoir, including the establishment of subsea infrastructures and making the required changes on the platform, within the promotion of alternatives for the	Approx. 21,981	Approx. 5,448

Leviathan Leases			
Period	**Summary of actual operations in the period or of the planned work plan**	**Estimated total budget for operations on the level of the oil asset (USD thousand)** [12]	**Actual participation of the Company's equity holders in the budget (in USD thousand)**
	development of Phase 1 - Second Stage.		
	• Conducting surveys, planning and procurement for the Third Pipeline project (as defined in Section 1.7.4(e)(1) below), the platform.	Approx. 144,706	Approx. 35,865
	• Various other activities, such as: Continued production from the Leviathan Reservoir, ongoing operation and maintenance, monitoring activity, surveys, tests, and examining options for characterizing, drilling and developing the deep-sea exploration targets.	Approx. 102	Approx. 25
2024 onwards	• The continued improvement of production in the Leviathan Platform and onshore facilities, and improvements in supportive systems and environmental systems, in accordance with operational and regulatory requirements.	Approx. 932	Approx. 231
	• Improvement of the MEG systems and treatment of liquid byproducts.	Approx. 13,520	Approx. 3,351
	• Conducting a baseline survey of gravity above the reservoir area to improve production forecasts and assist in making development decisions in the project.	Approx. 16,148 [15]	Approx. 4,003
	• Completing the pre-FEED for the FLNG facility.	Approx. 11,350	Approx. 2,813
	• Completing the Third Pipeline project (as defined in Section 1.7.4(e)(1) below).	Approx. 426,430	Approx. 105,690
	• Continued work to reduce pressure drops in the systems.	Approx. 3,023	Approx. 749
	• Preparation for drawing up and executing a FEED to expand production in the Leviathan Reservoir, including the establishment of subsea infrastructures and making the required changes on the platform, within the promotion of alternatives for the development of Phase 1 - Second Stage.	Approx. 69,913 [16]	Approx. 17,328
	• Various other activities, such as: Continued production from the Leviathan Reservoir, ongoing operation and maintenance, monitoring activity, surveys, tests, and examining options for characterizing, drilling and developing the deep-sea exploration targets.	Approx. 102	Approx. 25
	• Reaching a final investment decision (FID) by the Leviathan partners for the development of Phase 1B.		

[15] As at the report approval date, out of this budget, the Leviathan partners approved a total of approx. USD 6 million (100%, the Company's share is approx. USD 1.5 million).

[16] As at the report approval date, out of this budget, the Leviathan Partners approved a total of approx. USD 19.9 million (100%, the Company's share is approx. USD 4.9 million).

(e) Plan for development of the Leviathan Reservoir

On June 2, 2016, the development plan for the Leviathan field was approved by the Petroleum Commissioner. The plan, which consists of two phases (Phase 1 - First Stage and Phase 1 – Second Stage) includes the supply of natural gas to the local market and for export totaling up to approx. 21 BCM per year, and the supply of condensate to the local market (hereinafter in this section - the "**Development Plan**" or the "**Plan**"). According to the plan, a production system will be built, featuring up to 8 initial wells to be connected by a subsea pipeline to a fixed offshore platform (hereinafter in this section - the "**Platform**"), in the territorial waters of Israel, in accordance with the provisions of National Outline Plan 37/H, on which the gas and condensate treatment systems will be installed. Gas will flow from the Platform to the northern entrance of the national transmission system of Israel National Gas Lines as defined in National Outline Plan 37/H (hereinafter - the "**Connection Point to INGL**"). The condensate will flow to the shore through a separate pipeline adjacent to the gas pipeline and will be connected to the existing oil pipeline of Europe Asia Pipeline Co. (hereinafter - "**EAPC**") that transports to the tank farm of Energy Infrastructures and from there to Bazan Ltd. (hereinafter - "**Bazan**"). In addition, a site will be constructed for storing and offloading condensate, providing backup if condensate cannot be delivered to Bazan.

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

1. Phase 1 - First Stage – the current stage, in which 4 initial subsea producing wells were drilled, and a subsea production system connecting the producing wells to the Platform, a system for transmission to the shore, and related onshore facilities were constructed. At this stage, the annual gas production capacity is approx. 12 BCM.

On February 23, 2017, the Leviathan partners made a final investment decision (FID) for the development of Phase 1 - First Stage, at a budget of approx. USD 3.75 billion (100%). As at December 31, 2023, the total cost invested in the development of Phase 1 – First Stage amounts to approx. USD 4.1 billion (100%). Subsequent to the initial running-in period, on December 31, 2019, natural gas was first piped from the Leviathan Reservoir. On January 1, 2020, the sale of natural gas from the Leviathan Reservoir to Jordan started under the NEPCO agreement, and on January 15, 2020, first gas was piped from the Leviathan Reservoir to Egypt under the agreement with Blue Ocean.

In June 2023, another producing well, the fifth, Leviathan 8, was connected to the Leviathan Project's existing subsea production system and production from it started in accordance with the schedules and within the budget.

Furthermore, to increase the gas production capacity to approx. 14 BCM per year as from mid-2025, on June 29, 2023 the Leviathan Project partners made a final investment decision (FID) to implement a project in which a third subsea transmission pipeline will be installed from the field to the platform, including modifications and improvements on the platform (hereinafter - the "**Third Pipeline Project**"), with a total budget of approx. USD 568 million (100%, the Partnership's share is approx. USD 258 million). The Partnership intends to finance its share of the Third Pipeline Project budget from its independent sources and current cash flows.

2. Phase 1 - Second Stage – is expected to initially include, inter alia, 3 additional producing wells, as needed, related subsea systems, and expansion of the Platform's processing facilities to increase the total production capacity of the system to a total of approx. 21 BCM per year.

As at the report approval date, the Leviathan partners are promoting the development of Phase 1B as specified above, with the aim of making a final investment decision (FID). This plan includes modular expansion of the natural gas piping infrastructure from the Leviathan Reservoir, as aforesaid, and may also include the installation of a fourth subsea transmission pipeline from the field to the platform (hereinafter - the "**Fourth Pipeline**"), which will enable a maximum daily production capacity of up to approx. 2,350 MMCF (approx. 21 BCM per year), and supply to consumers on the domestic market, and the regional market, and mainly to the Egyptian and LNG markets (for further information, see Section 7.16.2 below).

In the approval letter for the development plan, the Petroleum Commissioner stated that based on the opinion of an international company that was submitted to his office, the estimated total recoverable quantity natural gas, based on the development plan that was submitted, is approx. 17.6 TCF. The Petroleum Commissioner also noted that after receiving additional data about the reservoir, and after receiving data obtained during production from the field, the estimate of the recoverable quantity will be updated, in order to calculate export permits, if required, among other things. It should be noted that the operator of the Leviathan Project submitted and submits a comprehensive database to the Petroleum Commissioner, which is updated from time to time, including data from drillings, seismic outputs, including outputs of reprocessed seismic surveys, the results of analyses and mapping the scope of the reservoir and its characteristics, inter alia based on seismic inversion, reservoir models, and production data. It should be noted that the valuation of the resources in the opinion is materially different from the valuation of the resources of the operator as well as from the valuation of resources submitted to the Leviathan partners by NSAI. As at the report approval date, the Partnership, together with the other Leviathan partners, is continuing discussions with the Ministry of Energy and its consultants regarding the updating the appraisal of the resources in the Leviathan Reservoir. However, it is emphasized that, for all quantities stated in the current export licenses, licenses were granted. In addition, in the Partnership's assessment, and considering the Government's resolution on natural gas exports, even the quantity that can be produced, in the Petroleum Commissioner's opinion, is adequate for entering into the additional export agreements required to implement the plan to expand the Leviathan Project.

On June 21, 2023 and December 21, 2023, the Leviathan Project partners applied to the Petroleum Commissioner in principle for approval to increase the export volume of natural gas from the Leviathan Project, in accordance with the government resolution applicable to gas exports from the Leviathan Reservoir, through a regional pipeline, existing and future, or through a floating liquefied natural gas (FLNG) facility, together with increasing the volumes of natural gas from the Leviathan Project to the domestic market. As at the report approval date, the Ministry of Energy's official response to the Partnership's application has yet to be received, and there is no certainty that it will be approved, and if approved, under which terms.

As part of promoting Phase 1B, in 2023 and 2024, in accordance with the Joint Operating Agreement, the Leviathan partners approved budgets amounting to approx. USD 44.9 million and approx. USD 19.9 million (100%), respectively, for performance and completion of the pre-FEED of the alternatives to expansion of the Leviathan Reservoir's production system, including the construction of subsea infrastructure, connection of additional producing wells and making the modifications required on the platform. As at the report approval date, the Pre-FEED phase is complete, and the operator believes that the FEED is expected to start in mid-2024.

Furthermore, in those years, the Leviathan partners approved budgets amounting to approx. USD 51.5 million and approx. USD 11.4 million (100%), respectively, for performance of a pre-FEED to assess the different natural gas export alternatives, among other things, by the construction of a FLNG facility. In this regard, it should be noted that in the assessment of the option of constructing a FLNG facility, there were indications of material changes in the estimated construction costs of an FLNG facility; therefore, in 2024 the Leviathan partners intend to assess options of constructing an FLNG facility, inter alia due to the option for a modular expansion of the Leviathan Project.

The Leviathan Project operator believes that prior to performance of the FEED, the estimated cost of Phase 1B (excluding the costs of the Fourth Pipeline and FLNG facility, if decided to approve them) is approx. USD 2.4 billion (100%). If an FID is made to develop Phase 1B in the first half of 2025, the estimated schedule for first gas production is expected to be in the period between mid-2028 and mid-2029.

Throughout the project's years of activity, additional production drillings will be required to enable production at the required volumes, based on the production system's and the field wells' redundancy level, as occasionally set by the Leviathan Partners.

Forward-looking information warning – the above estimates regarding the expected production capacity from the Leviathan Reservoir, the scope of the budget, and the time frames for additional development stages in the Leviathan Reservoir, including the final investment decision (FID) date and FEED completion dates, the costs of laying the Third Pipeline, the estimated cost of Phase 1 - Second Stage, and the Third Pipeline project's possible commercial operation date, constitute forward-looking information, as intended in section 32A of the Securities Law. This information is based on the Leviathan Reservoir Partnership's assessments and assumptions and those of its operator, based on various factors that are not under the Partnership's control or that

may change, including the plan that was established to lay the Third Pipeline, with respect to the costs, timetables and the plan's very performance, the development plan and the timetables for its implementation, the ability to obtain regulatory approvals, estimated availability of equipment, services and costs data, and past experience, and on geological, geophysical, technical-engineering and other information collected, inter alia, from the scope of production from the Leviathan Reservoir and from the seismic survey in the Leviathan Leases. 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. The estimates in this report may not materialize or materialize in a materially different manner because of factors outside the Partnership's control, including if there are changes and/or delays in the various factors described above, and if the estimates and assessments that were received change, inter alia, due to geological conditions and/or operating and technical conditions and/or changes in regulation, changes in market conditions, and/or a range of geopolitical changes and/or regulatory changes and/or operational and technical conditions in the Leviathan Reservoir and/or from unforeseen factors related to the exploration, production, and marketing of oil and natural gas and/or as a result of progress in the development of the Leviathan Reservoir until its completion, and/or the realization of one or more of the risk factors affecting the Partnership's operations, including as set forth in Section 1.7.12 below.

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

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

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

Description	**Percentage before investment recovery**	**Percentage after investment recovery**	**Summary of the calculation method for Royalties or payments**
Projected annual revenues of the oil asset	100%	100%	
Royalties or payment (arising from revenues after the finding) related to the oil asset:			
The State	(12.50%)	(12.50%)	As stipulated in the Petroleum Law, the royalties are calculated at market value at the wellhead. The actual royalty rate may be lower due to deduction of expenses for the gas delivery and handling system up to the onshore gas receiving terminal.
Adjusted revenues at the oil asset level	87.5%	87.5%	
Share of the adjusted oil asset revenues attributable to the equity holders of the Company (indirectly)	24.78%	24.78%	
Share of the equity holders of the Company in the actual rate of revenues, at the oil asset level (before other payments at the level of the Company)	21.69%	21.69%	
Information about the royalties or payments (derived from the income after the finding) in respect of the oil asset at the level of the Company (the percentages below are calculated according to the rates of the equity holders of the Company in the oil asset):			
Share of the equity holders of the Company in payments to related parties and third parties	(1.12%)	(2.36%)	The Partnership pays royalties to the Company and Delek Energy for its share in the oil asset at a rate of 4.5% before investment recovery and 9.5% after investment recovery, calculated at the wellhead market value.[17] The calculation method for these rates is based on principles for calculating royalties to the State, therefore these rates may change if the calculation method of royalties to the State changes. For further information, including about the publication of draft directives for public comment regarding the calculation method of the royalty value at the wellhead for offshore oil rights, see Section 1.7.12(h)(4) below.
Total	20.57%	19.33%	
Rates of holders of the Company's equity rights to revenues due to additional royalties from the asset	0.68%	2.95%	Calculated on the basis of the right to royalties from the Partnership as set out in Section 1.7.1(c)(1) above.

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

Description	Percentage before investment recovery	Percentage after investment recovery	Summary of the calculation method for Royalties or payments
			The calculation method for these rates is based on principles for calculating royalties to the State, therefore these rates may change if the calculation method of royalties to the State changes. For further information about the calculation method of the royalty rates, see Section 1.7.12(h)(1) below.
Actual rate attributable to equity holders of the Company in revenues from the oil asset	21.25%	22.28%	

(h) Share of the equity holders of the Company in exploration, development and production expenses in the Leviathan Leases

Description	%	Summary of the calculation method for Royalties or payments
Theoretical expenses for the oil asset (without royalties)	100%	
Payments (derived from the expenses) at the oil asset level:		
Operator	1%-4%	A rate of 1% for the operator's indirect expenses out of the total direct expenses for development and production, subject to certain exceptions, such as marketing activity. A rate of 1%-4% for exploration expenses, where the rate of payment to the operator decreases with the increase in exploration expenses. These amounts are for payment of indirect expenses to the operator and are in addition to reimbursement of direct expenses to the operator.
Total actual rate of expenses at the oil asset level	101%-104%	
Share of the equity holders of the Company in the oil asset's expenses (indirectly)	24.78%	
Total share of the equity holders of the Company in expenses, at the level of the oil asset (before other payments at the level of the Company)	25.03%-25.78%	
Payments (derived from the expenses) in respect of the oil asset and at the level of the Company (the following percentages will be calculated in accordance with the share of the equity holders of the Company in the oil asset):		
Actual share of expenses for exploration, development, and production in the oil asset, attributable to equity holders of the Company	25.03%-25.78%	

(i) Royalties and payments paid during exploration operations in the oil asset (in USD thousand)[18]

Description	Total share of equity holders of the Company in investment in the oil asset in this period (including costs for which payments are not made to the operator)	Of which, the share of equity holders of the Company in payments to the General Partner	Of which, the rates of equity holders of the Company in payments to the Operator (in addition to the return of direct expenses)
Actual budget invested in 2021	Approx. 62,660	-	Approx. 474
Actual budget invested in 2022	Approx. 98,092	-	Approx. 696
Actual budget invested in 2023	Approx. 248,111	-	Approx. approx. 953

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

For information about appraisal of the reserves and contingent resources attributable to the Leviathan oil asset and the resulting discounted cash flow from the Company's share in the oil asset, as at December 31, 2023, see the Company's immediate report of March 27, 2024 (Ref. No.: 2024-01-032550), which is included here by way of a reference (hereinafter - the **"Leviathan Project Resources Report"**). Attached as **Appendix A** to the report is the consent of NSAI to include the Leviathan resources report in this report, including by way of a reference, and a letter from NSAI regarding the absence of material changes in the appraisal of resources in the Leviathan leases.

For information about the prospective resources attributable to the Leviathan oil asset (regarding the Deep Leviathan prospect), as at December 31, 2019, see Section 1.7.4(J)(11) to the Company's Periodic Report for 2019 (hereinafter - the "**Company's Periodic Report for 2019**"), the information in which is presented by way of a reference. As at December 31, 2023, there has been no change to this information. Attached, as **Appendix A** to the report, the consent of NSAI to include the report in this report, including by way of a reference, and a letter from NSAI regarding the absence of material changes in the Leviathan Leases.

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

18 The amounts in the table reflect the Company's holding in the Partnership (approx. 54.7%).

1.7.5 **Rights in Cyprus - Block 12 Project**

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

(a) Background

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

On November 7, 2019, the holders of rights in the PSC and the Cyprus government signed an amendment to the PSC (hereinafter - the "**First Amendment to the PSC**") and in parallel, the rights holders were granted a production and exploitation license (hereinafter in Section 1.7.5 - the "**License**" or the "**Exploitation License**" or "**Block 12 License**") and a development and production plan was approved for the reservoir (hereinafter in this section - the "**Development Plan**"), as described in Section 1.7.4.B(10) below. It is noted that in the First Amendment to the PSC, other changes and updates were made, including, with respect to the transfer of rights by the parties, approval of an annual budget and work plan, the manner of approving changes to plans and budgets, the manner of calculating the various expenses, changes in the grounds for termination of the PSC, arrangements for ensuring the plugging, decommissioning, and removal of wells and facilities at the end of the term of the PSC, etc..

Furthermore, on November 9, 2022, an additional amendment to the Production Sharing Contract was signed (hereinafter - the "**Additional Amendment to the Production Sharing Contract**"), under which the deadline for the Aphrodite Reservoir partners' obligation to drill the additional appraisal/development drilling, A-3 (Aphrodite 3) (hereinafter - "**Drilling A-3**"), was extended to August 2023. For further information about performance of the A-3 drilling that was completed in July 2023, see Paragraph (c)(2) in this section below.

The said Production Sharing Contract and the amendments thereto are referred to hereinafter, jointly, as the "**Production Sharing Contract**" (PSC).

It should be noted that there is a dispute between Cyprus and Turkey regarding the rights in Cyprus's exclusive economic zone, which may affect the Partnership's activities in the license. However, note that according to its official reports, the Turkish government does not claim ownership of the territories in which Block 12 is located. For further information on this, see Section 1.7.12(KK) below.

(b) General Details

General information about the oil asset	
Name of oil asset:	Block 12
Location:	An offshore area in the exclusive economic zone of Cyprus approx. 35 km northwest of Leviathan Reservoir.[19]

[19] It should be noted that most of the Aphrodite Reservoir is located in the exclusive economic zone of Cyprus, and a small percentage of its area is in the license area of the 370/Ishai field (hereinafter - the "**Ishai License**") in the exclusive economic zone of Israel. It should also be noted that the Aphrodite Reservoir partners were contacted by the Ishai license partners and the Ministry of Energy of the State of Israel regarding the need to regulate the rights of these parties prior to adoption of a resolution on the development of the Aphrodite Reservoir. The position of the partners in the Aphrodite Reservoir is that the matter is within the governments' power and they will act in accordance with the mechanism for regulation of the parties' rights as to be determined by the governments and in accordance with international law. Additionally, further to discussions between the governments of Israel and Cyprus to regulate the parties' rights in the Aphrodite Reservoir, on March 9, 2021, the governments signed a memorandum of understanding instructing the partners in the Aphrodite Reservoir and the holders of the rights in the Yishai license to conduct direct negotiations to regulate the issue of the migration of the Aphrodite Reservoir, which includes principles and timetables for the negotiations. As the parties failed to reach a consensus and the deadline set by Israel's then Minister of Energy for signing an agreement has lapsed, the governments of Israel and Cyprus started to negotiate the profit sharing

General information about the oil asset	
Area:	Approx. 386 sq. km.
Type of oil asset and description of permitted operations according to the type:	Exploitation license granted subject to the PSC
Original grant date of the oil asset:	November 7, 2019
Original expiry date of the oil asset:	November 7, 2044
Date of decision regarding extension of the term of the oil asset:	-
Current expiry date of the oil asset:	November 7, 2044 (25 years from the license grant date).
Note whether there is an additional option of extending the period of the oil asset: if so, note the period of the possible extension:	Extendable by 10 more years
Name of Operator:	Chevron Cyprus
Names of the direct partners in the oil asset and their direct share in the oil asset and, to the best of the Company's knowledge, the names of the controlling shareholders in the partners:	▪ - Chevron Cyprus (35%). ▪ BG Cyprus (35%). To the best of the Company's knowledge, BG Cyprus is a subsidiary (indirectly) of Royal Dutch Shell Plc. (hereinafter - "**Shell**"), an energy company that deals in all segments of the gas and oil industry and operates in over 70 countries worldwide..[20] ▪ The Partnership (30%).
General information about the Company's share in the oil asset	
Acquisition date of the lease for the purchased oil asset:	January 22, 2009. On February 11, 2013, the Cypriot authorities approved the transfer of the rights in the PSC and the exploration license to the Partnership.
Description of the Company's holding in the oil asset:	The Company holds the oil asset through its direct and indirect holdings in the Partnership's participation units and its right to receive direct and indirect royalties.
Effective share of oil asset revenues attributable to equity holders of the Company:	For details, see Section 1.7.5(h) below.
Total share of equity holders of the Company in the cumulative investment in the oil asset in the five years preceding the last day of the reporting year (whether recognized as an expense or as an asset in the financial statements):	Approx. USD 25,817 thousand

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

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

A. Performing an appraisal/development drilling in the license area in accordance with the development plan, and completing it within 24 months of obtaining the production license, i.e., by November 2021. In accordance with the Additional Amendment to the Production Sharing

between the parties and the countries. On April 11, 2022, the Israeli Ministry of Energy announced that Israel's and Cyprus's respective ministers of energy agreed to appoint an external expert to examine the amount of natural gas in the reservoir and determine its division between the exclusive economic zones of Israel and Cyprus. See at: https://www.gov.il/he/departments/news/press_110422. To the best of the Partnership's knowledge, on January 29, 2024, two calls took place between the Ministers of Energy of Israel and Cyprus, in which it was agreed to increase the efforts between the governments to resolve the matter as soon as possible.

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

Contract, the Partners' obligation to complete the said drilling was extended to August 2023. For further information regarding performance of the A-3 drilling, see Paragraph (2) below.

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

The PSC sets out certain terms and conditions under which the Partners to the license will be entitled to an extension for the purpose of meeting the milestones, with the deadline for adoption of an FID being 6 years after receiving the Production License, i.e. - by November 2025. For further information about the FEED performance milestone (hereinafter - the "**FEED Performance Milestone**"), see Paragraph (k) below.

It should be noted that failure to comply with the milestones set out in the PSC will constitute grounds for cancellation of the PSC, other than for reasons of force majeure (as defined in the PSC).

(2) A-3 drilling

In accordance with the PSC, on September 15, 2022, the partners approved a budget for the A-3 drilling of approx. USD 130 million (100%). The A-3 drilling is an appraisal drilling to verify the assessments of the operator and Partnership regarding the quality and scope of the reservoir, which is intended to serve as a producing well in future. The A-3 drilling started in May 2023 and was completed in July 2023, in accordance with the schedules and within the budget. For information about the revised resources report attributed to the Aphrodite Reservoir published after completion of the A-3 drilling, see Paragraph (l) below.

(3) Payments to the Republic of Cyprus

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

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

(4) Oil sharing

The Block 12 rights holders will share the oil produced (after offsetting the expenses set out below) with the Republic of Cyprus according to the average daily production rate of oil, if any, as follows:[21]

Average daily production (in barrels)[22]	**Price per barrel (USD)**		
	Up to 50	50.01-100	More than 100
	The Republic of Cyprus' share (including Cypriot corporate income tax)		
For the share of the average daily production of less than 50,000 barrels (inclusive)	60%	63%	65%
For the share of the average daily production of between 50,001 and 100,000 barrels (inclusive)	63%	67%	72%
For the share of the average daily production of between 100,001 and 150,000 barrels (inclusive)	70%	75%	80%
For the share of the average daily production of between 150,001 and 200,000 barrels (inclusive)	77%	80%	83%

21 It should be noted that the oil sharing mechanism was not amended in the amendments to the Production Sharing Contract.

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

Average daily production (in barrels)[22]	Price per barrel (USD)		
	Up to 50	50.01-100	More than 100
	The Republic of Cyprus' share (including Cypriot corporate income tax)		
For the share of the average daily production of over 200,000 barrels	83%	85%	85%

(5) Natural gas sharing

a) Prior to the First Amendment to the PSC the Production Sharing Contract sets out a mechanism for dividing the natural gas produced in the license area, based on the average daily production rate.

b) Following the First Amendment to the PSC, a new mechanism for sharing the natural gas output was established based on an R-factor. According to this mechanism, the partners will be entitled to 55% of the annual revenues from the natural gas output, up to coverage of all of their recognized capital and current expenses (hereinafter - the "**Expense Coverage Output**"), whereas the balance (hereinafter - the "**Distributable Output**") will be divided between the partners and the Cypriot government according to the R-factor, the numerator of which consists of the total net accrued revenues and the denominator consists of the total accrued capital investments. According to the new mechanism, the Cypriot government's share of the Distributable Output increases linearly as a function of the factor and will reach a maximum rate when the R-factor equals 2.5. In this regard:

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

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

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

(6) The Republic of Cyprus' share of the natural gas and/or oil will be calculated every year from the sales revenues of the natural gas and/or oil remaining after offsetting the Block 12 project rights holders' expenses for exploration, appraisal, development, production and operation (hereinafter - "**Block 12 Expenses**")[23] of up to 55% of the total revenues from the gas produced and up to 49% of the total oil revenues (hereinafter - "**Production Intended to Cover Reimbursement of Expenses**"). If the expenses are higher than the Production Intended to Reimbursement of Expenses, the entire surplus will be carried over to the next year until the expenses are fully covered or until the PSC ends. Expenses not covered by the termination date of the PSC will not be reimbursed.

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

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

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

---

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

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

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

(12) Termination of the PSC

Subject to certain conditions, including, among other things, circumstances of force majeure, the Republic of Cyprus may cancel the PSC (and together with it, the license) in the event of one of the following causes for cancellation: (1) violation of the provisions of Cypriot law and the regulations published thereunder; (2) default of payment to the Cypriot government for 3 consecutive months; (3) after compliance with the FID milestone, cessation of the development work for 6 consecutive months; (4) after the start of production, suspension of production for two consecutive months or disruption of production for 6 consecutive months due to reasons not approved by the Republic of Cyprus; (5) the concession holder fails to comply with an arbitration ruling or the decision of an expert provided in accordance with the provisions of the agreement; (6) an event of bankruptcy, debt settlement, receivership of any of the partners or their parent company or any other event resulting in an impairment of the financial or technical abilities of any of the partners to meet their obligations under the PSC; (7) any other event not included in section (6) above that detracts materially from the financial or technical abilities of the concession holder compared to their state at the time of granting the concession, that leads to the concession holder lacking the technical or financial abilities to meet its obligations under the agreement; (8) non-compliance with a milestone sets under the terms of the PSC, and (9) non-compliance with the obligation to provide the required guarantees under the terms of the concession.

According to the PSC, in the event of one of the above cancellation causes, the Cypriot government may give the concession holder notice of cancelation of the concession, provided that the concession holder is given official notice and fails to correct the violation during a 3-month remedy period, or 6 months regarding causes (3) and (4) above, or seven days regarding cause (9) above, from receipt of the notice, excluding cancellation due to cause (6) that will become effective immediately from the date of receipt of the notice.

The agreement sets out provisions regarding the concession holder’s right to notify the Cypriot government of a dispute regarding the PSC, as well as provisions that regulate how to manage a dispute as part of an international arbitration proceeding or, in certain cases, by appointment of a decisive expert. It also specifies that a dispute regarding the question of existence of cause for cancellation of the PSC declared by the Cypriot government will be clarified in the arbitration proceeding, in which case the concession will remain valid until a decision is rendered in the arbitration proceeding.

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

(14) Performance guarantees to the Republic of Cyprus

For details about the unlimited performance guarantee provided by the Company to the Republic of Cyprus, to guarantee full implementation of all the Partnership’s undertakings under the PSC, see Note 11.D.5 to the Financial Statements.

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

Operation carried out by	**Period in which the operation was carried out**	**Summary of the operation**	**Summary of the operating outcomes**
Chevron Cyprus	2011-2012	Preparations for the Aphrodite A-1 appraisal drilling, drilling and initial analysis of the drilling results, and preparation for the appraisal drilling.[24]	-

24 On October 2, 2013, the Aphrodite A-2 appraisal drilling ended; it began on June 7, 2013.

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

Until the report approval date, the binding Block 12 work plan has been complied with in full, except in connection with the FEED performance milestone, as specified in Paragraph (l) below.

(f) Actual and planned work plan for Block 12

The table below includes a summary of the main operations actually performed in the oil asset from January 1, 2021 through to the report approval date and a brief description of the planned operations:

Block 12 Project			
Period	**Summary of actual operations in the period or of the planned work plan**	**Estimated total budget for operations on the level of the oil asset (USD thousand)** [25]	**Actual participation of the Company's equity holders in the budget (in USD thousand)**
2021	• Planning an appraisal well that will be converted, if necessary, into a producing well.	Approx. 2,013	Approx. 330
	• Exploring options to commercialize the natural gas from the Aphrodite Reservoir.	Approx. 6,935	Approx. 1,137
	• Various other activities, such as: Geological analysis of data and revising the geological model, and technical and financial analysis of prospects in the lease area.	Approx. 221	Approx. 36
2022	• Preparations for Drilling A-3.	Approx. 11,722	Approx. 1,923
	• Examining the possibility of adopting an FID regarding alternatives for the development of the Aphrodite Reservoir.	Approx. 7,076	Approx. 1,161
	• Various other activities, such as: Geological analysis of data and revising the geological model, technical and financial analysis of prospects in the lease area, and alternatives for commercializing the natural gas to be produced from the reservoir.	Approx. 195	Approx. 32
2023 onwards [26]	• Performing Drilling A-3.	Approx. 85,871	Approx. 14,082
	• Revision of the development plan and promotion of measures to receive approval from the Cypriot government.	Approx. 11,042	Approx. 1,811
	• Various other activities, such as: Geological analysis of data and revising the geological model, technical and financial analysis of prospects in the lease area, and alternatives for commercializing the natural gas	Approx. 200	Approx. 33

25 The amounts for 2020-2022 are those actually expended and audited in the financial statements.

26 As of the report approval date, out of these budgets, the Block 12 partners authorized a budget of approx. USD 169 million for 2023 (100%), which includes the Drilling A-3 performance costs, survey costs, and planning costs, and that the government of Cyprus has not yet approved.

Block 12 Project			
Period	**Summary of actual operations in the period or of the planned work plan**	**Estimated total budget for operations on the level of the oil asset (USD thousand)** [25]	**Actual participation of the Company's equity holders in the budget (in USD thousand)**
	to be produced from the reservoir.		
2024 onwards	• Further examination of alternatives for the development of the Aphrodite Reservoir, revision and approval of the development plan, performance of the pre-FEED and FEED, prior to making an FID.	Approx. 20,118	Approx. 3,299
	• Various other activities, such as: Geological analysis of data and revising the geological model, and technical and financial analysis of prospects in the lease area.		

Forward-looking information - The Partnership's estimate regarding the planned operations in Block 12 (including development of the Aphrodite Reservoir), including costs, schedules, and actual performance, is forward-looking information, as defined in Section 32 of the Israel Securities Law, based on estimates of the general partner regarding the work plan components, which are all based on estimates received by the Partnership from the Operator. Implementation of the actual work plan, including schedules and costs, is subject to the Partners' approval and may differ materially from the above estimate, and is partially subject to applicable regulation, technical capacity, and economic viability.

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

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

(h) <u>Participation rates of the equity holders of the Company in revenues from Block 12</u>

The table below presents details regarding the participation rate of the equity holders in the Company out of the revenues from natural gas produced from the oil asset, if any, according to the new distribution mechanism, based on 4 theoretical scenarios only, according to which the R-factor was set at 1, 1.5, 2 and 2.5. It should be emphasized that the data in the following table are based on calculations made under various work assumptions and assessments, among other things, regarding the production rate and sale of natural gas from the reservoir, the current production costs, etc., which may actually be materially different to the assessments and assumptions taken into account. Note that the data appearing below are based on various assumptions in connection with the authorized development plan as of the report approval date, as specified in Section 1.7.4.B(10) below, and that if a different development alternative is authorized by the partners in the Aphrodite Reservoir and the Government of Cyprus, the gas asset equity holders' effective participation rate may vary.

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

	R-factor 1	R-factor 1.5	R-factor 2	R-factor 2.5	Comments
Total revenues from natural gas output	100%	100%	100%	100%	
Cyprus Republic's share of the revenues from natural gas output	15.75%	21.75%	50.75%	67.5%	The figures in the table are based on calculations made on the basis various working assumptions, among other things, regarding the development and operating costs of the project, the rate of production and sale, gas prices, etc.
The partner's share of the revenues from natural gas output	84.25%	78.25%	49.25%	32.5%	
The Company's share in the oil asset	16.40%	16.40%	16.40%	16.40%	
The Company's share of the revenues from the natural gas output, before payment of overriding royalties	13.82%	12.83%	8.08%	5.33%	
Payment of overriding royalties to various parties	0.74%	1.56%	1.56%	1.56%	The parties entitled to royalties are the Company, Delek Energy, and others that are not related parties. Note that the data in this table were calculated according to the overriding royalties rate in Block 12, assuming that the royalties are calculated out of the

	R-factor 1	R-factor 1.5	R-factor 2	R-factor 2.5	Comments
					Partnership's gross revenues (before deducting the Republic of Cyprus's share).
Effective participation rate of the equity holders in the Company, in the revenues from the natural gas output, assuming that the royalties are calculated from the Partnership's gross revenues (before deduction of the Republic of Cyprus' share)	13.08%	11.27%	6.52%	3.77%	
Effective participation rate of the equity holders in the Company, in the revenues from the natural gas output, assuming that the royalties are calculated from the Partnership's gross revenues (before deduction of the Republic of Cyprus' share)	0.45%	1.95%	1.95%	1.95%	These revenues are from the Company's and Delek Energy's rights to royalties from the Partnership's share
Effective participation rate of the equity holders in the Company, in the revenues from the natural gas output, assuming that the royalties are calculated from the Partnership's gross revenues (before deduction of the Republic of Cyprus' share)	13.53%	13.22%	8.47%	5.72%	
Effective participation rate of the equity holders in the Company, in the revenues from the natural gas output, assuming that the royalties are calculated from the Partnership's net revenues (after deduction of the Republic of Cyprus' share)	13.57%	13.14%	8.27%	5.46%	

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

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

Description	**%**	**Summary of the calculation method for Royalties or payments**
Theoretical expenses for the oil asset (without royalties)	100%	
Payments (derived from the expenses) at the oil asset level:		
Operator	1%-4%	A rate of 1.5% for the operator's indirect expenses out of the total direct expenses for development,[27] subject to certain exceptions, such as marketing activity. A rate of 1%-4% is attributable to exploration expenses. These amounts are for payment of indirect expenses to the Operator and are in addition to reimbursement of direct expenses paid to the Operator. The rate of payment to the Operator decreases as exploration expenses increase.
Total actual rate of expenses at the oil asset level	101%-104%	
Share of the equity holders of the Company in the oil asset's expenses (indirectly)	16.40%	
Total actual rate of the equity holders of the Company in expenses, at the oil asset level (before other payments at the level of the Company)	16.56%-17.06%	
Payments (derived from the expenses) in respect of the oil asset and at the level of the Company (the following percentages will be calculated in accordance with the share of the equity holders of the Company in the oil asset):		
Actual rate of participation of the Company's equity holders in expenses arising from exploration, development or production operations in the oil asset	16.56%-17.06%	

(j) Royalties and payments paid during exploration, and development operations in Block 12 (USD thousand)

Description	**Total share of equity holders of the Company in investment in the oil asset in this period**	**Of which, the share of equity holders of the Company in payments to the general partner**	**Of which, the rates of equity holders of the Company in payments to the operator (beyond the direct return of expenses)**
Actual budget invested in 2021	Approx. 2,011	-	Approx. 30
Actual budget invested in 2022	Approx. 3,607	-	Approx. 55

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

Description	Total share of equity holders of the Company in investment in the oil asset in this period	Of which, the share of equity holders of the Company in payments to the general partner	Of which, the rates of equity holders of the Company in payments to the operator (beyond the direct return of expenses)
Actual budget invested in 2023	Approx. 30,370		Approx. 245

(k) Plan for the development of the Aphrodite Reservoir and milestone for executing the FEED

The development plan of the Aphrodite Reservoir, as approved by the Cypriot government on November 7, 2019, includes the construction of a floating treatment and production facility in the license area, with an estimated maximum production capacity of approx. 800 MMCF/d (hereinafter - the ""**Floating Production Facility**"), through the first 5 producing wells and a subsea transmission system to the Egyptian market (hereinafter - the "**Approved Plan**").

Further to the assessment by the Aphrodite Reservoir partners of other development alternatives, with the aim of reducing the development costs and shortening the schedules for start of gas production from the reservoir, among other things, by integration with existing systems and/or development plans of adjacent assets in Egypt, on May 31, 2023, the partners filed a revised plan with the Cypriot government for development of the reservoir, including changes to the outline of the approved development and production plan, according to which natural gas from the Aphrodite Reservoir will produced and treated through the construction of a subsea pipeline and connecting it to existing onshore and offshore infrastructure in Egypt, in lieu of constructing the floating production facility over the reservoir, which was included in the Approved Plan (hereinafter - the “**Changes Plan**"). However, the Cypriot government decided not to approve the Revised Plan, among other things, because, according to the Cypriot government, it is expected to increase the technical and commercial complexity of the reservoir development and is not expected to bring about the benefits alleged in the changes plan; therefore, the Partners were required to comply with the FEED execution milestone set out in the PSC as of November 7, 2023, according to the Approved Plan, including construction of the floating production facility in the reservoir area.

In meetings and correspondence with the Cypriot government, the Cypriot government's Energy Minister approved filing by the partners, by March 31, 2024, of a proposed optimal development plan for approval, such that if approved by the minister, the date for compliance with the milestone will be deferred, at the minister's discretion; the minister also clarified to the partners that the Republic of Cyprus reserves all its rights under the PSC in connection with a breach of the milestone for executing the FEED. As specified in Section 7.3.3 above, non-compliance with the milestone set under the PSC terms may, subject to certain conditions, establish cause for the Cypriot government to cancel the PSC and license.

As at the report approval date, the operator is conducting discussions with the Cypriot government regarding the optimal development plan for the reservoir, including in connection with re-assessment of the Cypriot government's requirement to construct the floating production facility and the schedules for compliance with the FEED execution milestone, but there is no certainty that the Cypriot government will approve any changes to the details of the approved plan, in which case the government may impose sanctions against the partners in accordance with the provisions of the PSC. For information about the terms and conditions for cancellation of the PSC, see Section 1.7.5(c)(12) above.

According to the Operator’s estimate, which was submitted to the Partnership and to the Cyprus government, and prior to completion of the technical-economic feasibility tests, including the FEED, the cost of the approved Development Plan - which includes construction of the Floating Production Facility above the reservoir area, including the installation cost of the pipelines to the target markets, was estimated in 2022 at between approx. USD 3.6 billion (100%). It is emphasized that the formulation of the development plan and the FID for development of the Aphrodite Reservoir are subject, among other things, to revision of the approved development plan, to execute the FEED for commercial arrangements to develop the systems for export, signing of agreements for supply of natural gas, and compliance with the preconditions in the agreements, regulatory approvals, and financial arrangements. If the above preconditions are fulfilled, the supply of natural gas from the Aphrodite Reservoir is likely to begin in 2028, at the earliest.

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

Following completion of the A-3 appraisal drilling, on September 5, 2023 the Company published a contingent and prospective resources assessment conducted by NSAI (Ref. No.: 2023-01-083971), which was prepared according to the Petroleum Resources Management System (SPE-PRMS) (hereinafter in this section - the "**Resources Report**"). The resources report only refers to resources in Cyprus's EEZ fields. According to the Resources Report, as at August 31, 2023, most natural gas and condensate resources attributed to the Aphrodite Reservoir in Block 12 have been proved by the A-3 drilling and previous drillings in the reservoir, and are therefore classified as contingent resources at the development pending phase, while a small part of the natural gas and condensate resources attributed to the oil asset have not been proven and therefore remain classified as prospective resources. For details about the resources attributed to the oil asset in Block 12, see the Resources Report, the details of which are included herein by way of reference. Attached, as **Appendix A** to this chapter, the consent of NSAI to include the said report in this report, including by way of reference, and a letter from NSAI regarding the absence of material changes regarding the said resources.

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

1.7.6 Yam Tethys project

(a) Background

The Company's rights in the Yam Tethys project are due to the direct holding in the oil asset at a rate of 4.441% and from its direct holdings in the Partnership. The Yam Tethys project includes the area of the Noa lease, in which the Noa natural gas reservoir was discovered in 1999, and the area of the Ashkelon lease, in which the Mari B and Pinnacles natural gas reservoirs were discovered in 2000 and 2012, respectively. Production of natural gas in the Yam Tethys project began in March 2004 and was terminated in May 2019, following depletion of the reservoirs. As at the report approval date, the project's assets are mainly used to provide infrastructure services for the Tamar Reservoir.

As at the approval date of the financial statements, all the project wells have been plugged and abandoned in accordance with the instructions of the Petroleum Commissioner. Accordingly, the Company classified the project as a negligible oil asset compared with the Company's operations and assets, and therefore a limited description is presented below.

Upon receipt of all permits required, during 2021 the operator started decommissioning all facilities of the project, except for the platform. There is also a discussion about possible future uses and/or decommissioning of the Yam Tethys platform, considering the connection between the facilities of the Yam Tethys project and production from the Tamar project. The decommissioning budget of the Yam Tethys facilities, except for the platform and onshore receiving terminal, as approved by the Yam Tethys project partners, as of the report approval date, amounts to approx. USD 277 million (100%).

For details about the draft policy paper on decommissioning of offshore exploration and production infrastructure published by the Ministry of Energy as a draft for public comment, see Section 1.7.12(i) below.

(b) General Details

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

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

The table below includes a summary of the main operations actually performed in the Ashkelon and Noa leases from January 1, 2020 through to the report approval date and a summary of the planned operations:

Yam Tethys project			
Period	**Summary of actual operations in the period or of the planned work plan**	**Estimated total budget for operations on the level of the oil asset (USD thousand)**[28]	**Actual participation of the Company's equity holders in the budget (in USD thousand)**
2021	• Commencement of plugging and abandonment of the project's producing wells, and decommissioning of subea facilities, according to the standards and guidelines of the Petroleum Commissioner.	Approx. 141,470	Approx. 43,790

28 The amounts for 2020-2022 are amounts that have actually been expended and audited in the financial statements.

Yam Tethys project			
Period	**Summary of actual operations in the period or of the planned work plan**	**Estimated total budget for operations on the level of the oil asset (USD thousand)** [28]	**Actual participation of the Company's equity holders in the budget (in USD thousand)**
	• Various additional actions, including ongoing operating and maintenance and assessment of the possible uses of the project's existing infrastructure.		
2022	• Continued plugging and abandonment of the project's producing wells, and decommissioning of subsea facilities, in accordance with the standards and guidelines of the Petroleum Commissioner.	Approx. 106,550	Approx. 32,981
	• Various additional actions, including assessment of the possible uses of the project's existing infrastructure.		
2023	• Completion of plugging and abandonment of the project's producing wells, and continued decommissioning of subsea facilities, in accordance with the standards and guidelines of the Petroleum Commissioner.	Approx. 15,906	Approx. 4,888
	• Various additional actions, including assessment of the possible uses of the project's existing infrastructure.		
2024 onwards	• Completing the decommissioning of subsea facilities, in accordance with the standards and guidelines of the Petroleum Commissioner.	Approx. 3,460	Approx. 1,071
	• Conducting asset integrity surveys in accordance with the guidance of the Petroleum Commissioner by 2029.	Approx. 1,500	Approx. 465
	• Dismantling and decommissioning of the platform and of the subsea pipeline at the end of their use, in accordance with the standards and guidelines of the Petroleum Commissioner.	Approx. 109,002	Approx. 33,470
	• Decommissioning of the onshore receiving terminal at the end of its use, in accordance with the standards	Approx. 8,843	Approx. 2,737

Yam Tethys project			
Period	**Summary of actual operations in the period or of the planned work plan**	**Estimated total budget for operations on the level of the oil asset (USD thousand)** [28]	**Actual participation of the Company's equity holders in the budget (in USD thousand)**
	and guidelines of the Petroleum Commissioner.		
	• Various additional actions, including assessment of the possible uses of the project's existing infrastructure.		

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

1.7.7 **Tanin and Karish Leases**

(a) General

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

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

In July 2020, the Company and Delek Energy sold their right to receive a royalty from the Karish and Tanin leases to a third party. Therefore, the Company's current rights in the Tanin and Karish leases are solely due to its holdings in the Partnership, which, as mentioned, holds the right to royalties from Energean at the rates set out above.

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

(b) General details

General information about the oil asset	
Name of oil asset:	Tanin Lease Karish Lease

General information about the oil asset	
Location:	Offshore assets, approx. 80-130 km west of the shores of Nahariya
Area:	The area covered by the two leases together is approx. 500 square kilometers
Type of oil asset and description of permitted operations according to the type:	Lease; Operations permitted under the Petroleum Law - exploration and production
Original grant date of the oil asset:	December 24, 2015 effective as from August 11, 2014 (revised on April 25, 2017)
Original expiry date of the oil asset:	August 10, 2044
Date of decision regarding extension of the term of the oil asset:	-
Current expiry date of the oil asset:	August 10, 2044
Note whether there is an additional option of extending the period of the oil asset: if so, note the period of the possible extension:	For a further 20 years, subject to the Petroleum Law.
Name of Operator:	Energean
Names of the direct partners in the oil asset and their direct share in the oil asset and, to the best of the Company's knowledge, the names of the controlling shareholders in the partners:	• Energean (100%)

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

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

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

In 2018, Energean made an FID regarding development of the Karish Reservoir using a floating production storage and offloading (FPSO) facility. On October 26, 2022, Energean announced the production of its first gas from the Karish Reservoir, and on October 28, 2022 started selling gas to its customers.

According to data published by the Ministry of Energy, during the course of 2022, Energean marketed 0.29 BCM in natural gas that was produced from the Karish field. According to Energean's report of January 2024, during the course of 2023 the Karish Reservoir produced approx. 4.4 BCM. Energean also reported that the production of first gas from the Karish North Reservoir started at the end of February 2024.[29]

To the best of the Company's knowledge, the updated data regarding the resources attributed to the Karish, Tanin, and Karish North Reservoirs were published by Energean in March 2024.[30] According to this report, the said reservoirs contain natural gas reserves (2P) of 96.3 BCM and hydrocarbon liquids of approx. 98.3 million barrels.

It should be clarified that the Partnership - as the owner of a right to royalties - does not bear the expenses for the development plan of the reservoirs.

(d) Disputes with Energean:

Energean and the Partnership exchanged letters about Energean's allegations regarding the Partnership's rights to royalties from the Tanin and Karish Reservoirs. According to Energean: (a) The Partnership's overriding royalty does not apply to the Karish North Reservoir (contrary to the Karish Reservoir); and (b) not all of the liquid hydrocarbons to be produced from the Karish lease constitute condensate as defined in the Sale Agreement, which is subject to the obligation to pay royalties. The Partnership's position, based on the opinion of its legal counsel, is that Energean's obligation to pay royalties applies to the natural gas and condensate to be produced from the leases, including from the Karish North Reservoir, and that all the liquid hydrocarbons that will be produced from the reservoirs constitute condensate as defined in the agreement, which is subject to royalties. It is noted that as of the report approval date, Energean paid the Partnership royalties in respect of the condensate produced from the Karish lease, under protest.

Forward-looking information - The above description of the planned activities in the Karish Lease, including timetables, is forward-looking information as defined in Section 32 to the Israel Securities Law, and is based solely on public announcements by Energean. Implementation of the actual work plan, including timetables, may differ materially from the above and is subject, among other things, to applicable regulation, technical capacity, and economic viability.

The following is a summary of the main operations actually carried out in the Tanin and Karish Leases as from January 1, 2021 through to the report approval date and a summary of the planned operations, according to Energean's report and to the best of the Company's knowledge. Since the Company does not bear the development and production costs in the Tanin and Karish Leases, data regarding the budget of the activities and the actual participation of the Company's equity holders in the Company's budget are not taken into account in the following table:

Tanin and Karish Leases			
Period	**Summary of actual operations in the period or of the planned work plan**	**Estimated total budget for operations on the level of the oil asset (USD thousand)**	**Actual participation of the Company's equity holders in the budget (in USD thousand)**
2021	• Final Investment Decision (FID) for development of the Karish North Reservoir and the manufacturing and installation of a second export riser and a second liquid treatment system).		
	• Completion of the installation of the gas and condensate production and		

[29] https://www.energean.com/media/5742/karish-north-and-second-gas-export-riser-online-and-new-gspa-signed.pdf

[30] https://www.energean.com/media/5770/energean-israel-cpr.pdf

Tanin and Karish Leases			
Period	**Summary of actual operations in the period or of the planned work plan**	**Estimated total budget for operations on the level of the oil asset (USD thousand)**	**Actual participation of the Company's equity holders in the budget (in USD thousand)**
	treatment systems on the FPSO hull in Singapore.		
2022	• Completion of the installation and running-in of the gas and condensate production and treatment systems on the FPSO hull in Singapore.		
	• Sailing of the FPSO to Israel.		
	• Completing connection and a trial run of the production system.		
	• Commencement of commercial production from the Karish Lease, routine operation and maintenance.		
	• Drilling of an appraisal and development well in the Karish lease and completion of the Karish North-1 drilling.		
2023	• Installation of a second export riser, that connects the production facility and the export pipeline.		
	• Continued commercial production from the Karish Lease, routine operation and maintenance.		
	• Connection of the producing well in Karish North to the FPSO.		
2024 onwards	• Commencement of production from the Karish North drilling.		
	• Continuation of the operation and production activity from the Karish lease.		
	• Installation and trial run of a second liquid treatment system.		
	• Drilling of additional production drillings in the Karish Lease, as needed.		
	• Development of the Tanin lease, including drilling producing wells; production, installation and connection to the FPSO of a subsea system. Production from the Tanin Lease is expected to commence in 2030, according to Energean's announcements.		

1.7.8 **The Boujdour Atlantique Exploration License, in the Atlantic Ocean off the coast of Morocco (hereinafter - the "Boujdour License")**

(a) Background

On December 6, 2022, the Partnership and Adarco Energy Limited[31] (hereinafter - "**Adarco**") signed agreements for oil and natural gas exploration and production in the Boujdour

[31] As Adarco has informed the Partnership, Adarco is a privately held company controlled Mr. Yariv Elbaz (a Moroccan investor) and his family.

Atlantique exploration license in the Atlantic Ocean off the Moroccan coast (hereinafter in this section - the **"Oil Asset"** or the "**License**"),[32] with the National Office of Hydrocarbons and Mines of Morocco (Office National des Hydrocarbures et des Mines, "**ONHYM**") (hereinafter in this section - the "**Agreements**"). Under the agreements, among other things, the Partnership and Adarco are granted (each) 37.5% of the rights in the license, and the remaining 25% of the rights in the license are granted to ONHYM, in accordance with standard regulation in Morocco. On June 1, 2023, NewMed Energy UK (formerly Delek Energy Limited, a wholly-owned subsidiary of the Partnership incorporated in the UK (hereinafter - "**NewMed Morocco**"), signed agreements instead of the Partnership and replaced the Partnership.
In addition, the agreements confer on the Partnership, Adarco, and ONHYM exploration rights for hydrocarbons in the license area for 8 years, subject to compliance with the work plan, which may be extended in the event of a discovery.
The Partnership will serve as the license operator.
During the exploration period, the Partnership and Adarco shall bear, in addition to their relative share of the costs, the costs for ONHYM's share, in accordance with the current regulation in Morocco. In addition, the agreements with ONHYM include additional provisions, regarding, inter alia, the bonuses paid to ONHYM based on compliance with the license's production output milestones, royalties to Morocco, penalties in case of non-compliance with contractual undertakings, guarantees, stable economic conditions, professional training in the local market undertakings, and provisions regarding the joint operation of the license.

On January 2, 2023, the general meeting of unit holders approved the Partnership's entrance into the agreements, which are conditional on obtaining the approval of the Ministry of Energy and Sustainable Development and the Moroccan Ministry of Finance as well.

Note that the license is located off the coast of Western Sahara, an area whose sovereignty is disputed. In December 2020, a normalization agreement was signed between Israel and Morocco in which, among other things, Israel and the United States recognized Morocco's sovereignty in Western Sahara.

Assuming the agreements are authorized by the Moroccan government and enter into effect, the license will constitute a negligible oil asset relative to the Partnership's total activities and assets, and therefore, its description below is limited in scope. The oil asset details below relate to the Partnership's holdings rate of the oil asset through NewMed Morocco, assuming the agreements are approved, and the rights of the oil asset are granted.

(b) General Details

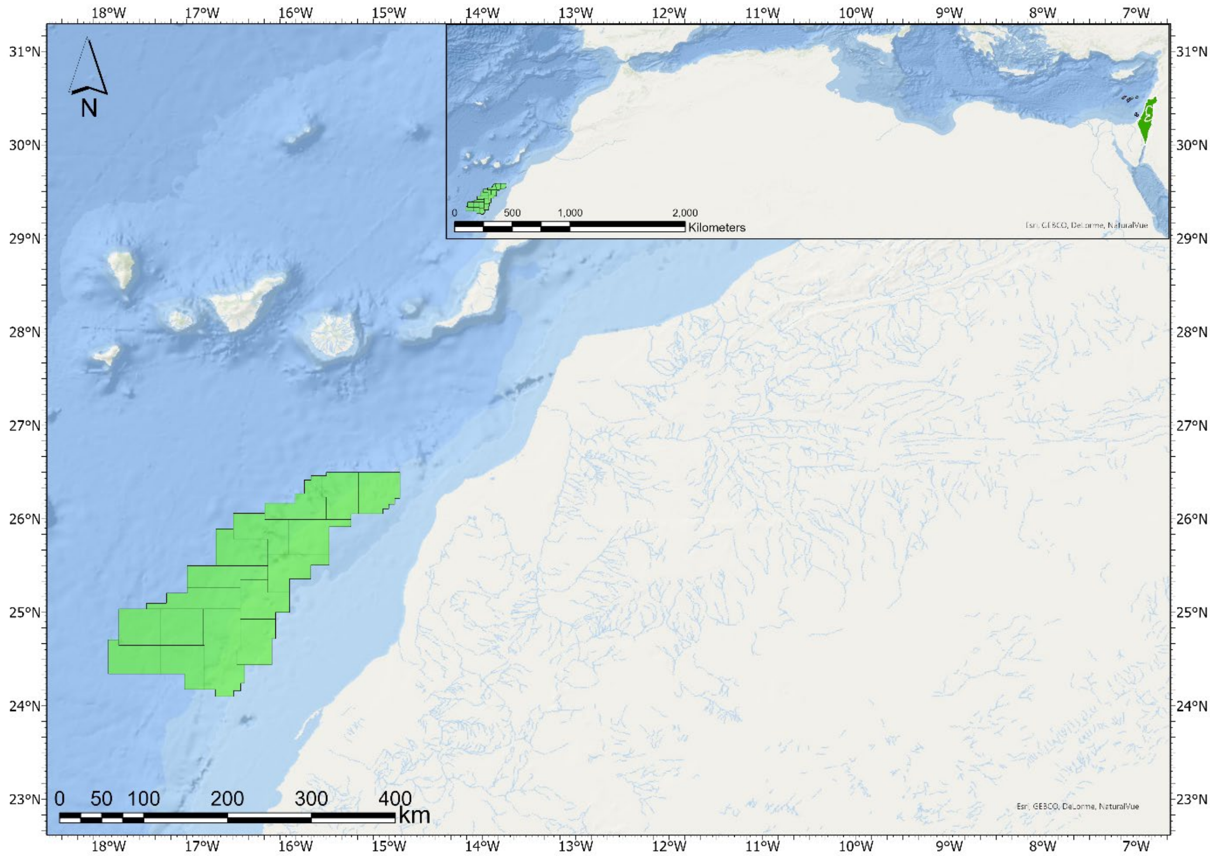
General information about the oil asset	
Name of oil asset:	Boujdour Atlantique.
Location:	An offshore area in the southern EEZ of Morocco (see the map of the oil asset below).
Area:	Approx. 33,815 sq. km.
Type of oil asset and description of permitted operations according to the type:	Exploration and production license.
Original grant date of the oil asset:	In accordance with the decision of the Ministry of Energy and Sustainable Development and the Moroccan Ministry of Finance.
Original expiry date of the oil asset:	In accordance with the decision of the Ministry of Energy and Sustainable Development and the Moroccan Ministry of Finance.
Date of decision regarding extension of the term of the oil asset:	-
Current expiry date of the oil asset:	The agreements grant the right to carry out oil and/or natural gas explorations in the area of the block for a total period of 8 years – Initial period – two and a half years;

32 Note that the license includes 17 different license areas.

General information about the oil asset	
	First extension (subject to the Partnership's decision, and subject to a commitment to the work plan for the second period) – two years; Second extension (subject to the Partnership's decision, and commitment to the work plan of the third period) - three and a half years.
Note whether there is an additional option of extending the period of the oil asset: if so, note the period of the possible extension:	There is an option to request a special extension if hydrocarbons are found and additional time is needed for an economic analysis
Name of Operator:	The Partnership.
Names of the direct partners in the oil asset and their direct share in the oil asset and, to the best of the Company's knowledge, the names of the controlling shareholders in the partners:	• The Partnership - 37.5%. • Adarco - 37.5%. • ONHYM – 25%.

General information about the Company's share in the oil asset	
Acquisition date of the lease for the purchased oil asset:	-
Description of the Company's holding in the oil asset:	As set out in Section (a) above.
Effective share of oil asset revenues attributable to equity holders of the Company:[33]	Before the investment recovery date - approx. 19.42%; After the investment recovery date - approx. 20.27%
Total share of equity holders of the Company in the cumulative investment in the oil asset in the five years preceding the last day of the reporting year (whether recognized as an expense or as an asset in the financial statements):	-

[33] The Company's interests in the oil asset are subject to royalties paid to the state. According to local regulation in Morocco, the royalty amount depends on the water depth of the drilling and the findings (gas or oil). In drilling in which the water depth exceeds 200 meters, in the event of an **oil** discovery, royalties at an annual rate of 7% will be paid. On the other hand, in the event of a **gas** discovery at that depth or more, a 3.5% royalty will be paid. The obligation to pay the royalty applies to quantities exceeding 500,000 tons oil or 0.5 BCM natural gas. The figures in the above table were calculated assuming a gas discovery (meaning, royalty at a rate of 3.5%). It is further noted that according to regulation in Morocco, there is an exemption from corporate income tax for a period of 10 years after start of production, and then corporate income tax of 31% is paid (in both gas and oil discoveries).



(c) **Actual and planned work schedule in the Boujdour license**

Below is a brief description of the actual and planned actions, indicating the estimated budget for performance of each action and the share of the equity holders of the Partnership in this budget:

Boujdour License			
Period	**Summary of actual operations in the period or of the planned work plan**	**Estimated total budget for operations on the level of the oil asset (USD thousand)**	**Actual participation of the Company's equity holders in the budget (in USD thousand)**
30 years from the license grant date	• Geological and geophysical analysis of the license, including reprocessing of the seismic data (2D + 3D) and work in aspects of Environment, Social and Government (hereinafter - "**ESG**").	Approx. 3,300	Approx. 1,804
First extension - 24 months from the end of the first period	• First exploration drilling.	Approx. 25,000	Approx. 6,833

Boujdour License			
Period	**Summary of actual operations in the period or of the planned work plan**	**Estimated total budget for operations on the level of the oil asset (USD thousand)**	**Actual participation of the Company's equity holders in the budget (in USD thousand)**
Second extension - 42 months from the end of the second period	• Exploration/appraisal drilling.	Approx. 25,000	Approx. 6,833

Forward-looking information: The information regarding the planned actions in the Boujdour lease, including regarding the costs, schedules and their actual performance is forward-looking information, as defined in the Israel Securities Law, based on information in the Partnership's possession and its assessments and assumptions, as at the report approval date. Implementation of the actual work plan, including schedules and costs, may differ materially from the information outlined above, and is subject, among other things, to market conditions, regulation, many external circumstances, including technical requirements and capacity, new findings, and economic viability. The granting of the Boujdour license is subject to the approval of the Ministry of Energy and Sustainable Development and the Moroccan Ministry of Finance, as aforesaid.

1.7.9 **Exploration licenses in Cluster "I" in the area of Blocks 4, 5, 6, 7, 8 and 11 in the EEZ of Israel (hereinafter - the "Cluster I Licenses")**

(a) Background

On October 29, 2023, the Petroleum Commissioner notified the Partnership and companies of the State Oil Company of Azerbaijan Republic (hereinafter - "**SOCAR**" and "**BP**" (hereinafter jointly in this section - the "**Partners**")) that they had won the tender for the Cluster I Licenses in the fourth competitive procedure for natural gas exploration in the northwestern EEZ of the State of Israel, which entitles them to 6 exploration licenses in Blocks 4, 5, 6, 7, 8, and 11 in the Mediterranean Sea, in Israel's EEZ (hereinafter in this section - the "**Licenses**").

It is noted that the Partners continue operating in accordance with the terms of the agreement that regulated, among other things, the terms of the abovementioned bid, and stipulated principles for the Joint Operating Agreement that is expected to be signed subsequent to the award of the Licenses.

The completion of the process for the issuance of the Licenses to the Partners in accordance with the provisions of the Petroleum Law, the regulations and the terms and conditions of the tender, requires, among other things, the provision of a USD 5 million guarantee (100%), and the payment of a signing bonus to the Ministry of Energy at the total amount of approx. USD 5 million (100%) by December 28, 2023.

On December 18, 2023 the general meeting of unit holders approved the Partnership's participation in oil and/or natural gas exploration and production activities in the area of the Licenses.

Accordingly, in December 2023, the Partners provided the guarantee and paid the signing bonus as stated above.

The Partnerships believe that the process of issuing the licenses to the partners is expected to be completed in the second quarter of 2024.

The Company's rights in the Licenses arise from its holdings in the Partnership, which will hold directly 33.33% of the rights in the Licenses, and also from the Company's and Delek Energy's rights to receive royalties out of the Partnership's share in the oil asset.

As of the report approval date, the Company deems the Licenses as a negligible oil asset compared to all of the Partnership's activity and assets, and therefore a condensed description of the Licenses is provided below, in accordance with the disclosure format required in relation to a negligible oil asset. The information below is correct as at the report approval date and refers to all the Company's direct and indirect rights in the oil asset. It is also noted that the description provided below is based on the assumption that the licenses will be issued to the Partners as per the award notice.

(b) General Details

GENERAL INFORMATION ABOUT THE OIL ASSET	
Name of oil asset:	Cluster "I" (Blocks 4, 5, 6, 7, 8 and 11).
Location:	The northwestern EEZ of the State of Israel in the Mediterranean.
Area:	The total area of the Licenses Cluster is 1,677 sq. km.
Type of oil asset and description of permitted operations according to the type:	The oil asset comprises 6 licenses, in accordance with the provisions of the Petroleum Law. A license confers upon its owner, subject to the provisions of the Petroleum Law: (1) The right to explore for oil in the licensed area; (2) the right to conduct exploration activities outside the licensed area bearing on the oil prospects of the licensed area; and with respect to such right the license holder shall be in the position of a holder of a preliminary permit; (3) the exclusive right to conduct test and development drilling in the licensed area and to produce oil therefrom; and (4) the right to obtain a lease after having made a discovery in the licensed area.
Original grant date of the oil asset:	Not yet granted.
Original expiry date of the oil asset:	3 years from grant date.
Date of decision regarding extension of the term of the oil asset:	-
Current expiry date of the oil asset:	3 years from grant date.
Note whether there is an additional option of extending the period of the oil asset: if so, note the period of the possible extension:	In accordance with the provisions of the Petroleum Law, the license may be extended by up to 7 years from the original award date, with an option to extend the license by up to two further years if a discovery has been made.
Name of Operator:	SOCAR.
Names of the direct partners in the oil asset and their direct share in the oil asset and, to the best of the Partnership's knowledge, the names of the controlling shareholders in the partners:	▪ The Partnership - 33.33%; ▪ SOCAR - 33.34%; to the best of the Partnership's knowledge, the controlling shareholder in SOCAR is the government of the Azerbaijan Democratic Republic; ▪ BP - 33.33%, to the best of the Partnership's knowledge, the indirect controlling shareholder in BP is BP plc., which is a publicly-traded company, whose shares are listed on the London Stock Exchange, and on stock exchanges in Frankfurt and New York, and which does not have a controlling shareholder.
General information about the Company's share in the oil asset	
Acquisition date of the lease for the purchased oil asset:	The Partnership's relative share (33.33%) in the signing bonus that will be paid to the government - approx. USD 5 million (100%).
Description of the Company's holding in the oil asset:	The Partnership will hold directly 33.33% of the rights in the Licenses.
Effective share of oil asset revenues attributable to equity holders of the Company:	The Partnership's rights in the oil asset are subject to the payment of royalties to the State of Israel and to owners of a right to royalties, including, among other things, the Company and Delek Energy. Following is the effective share of oil asset revenues attributable to equity holders of the Company: Before the investment recovery date – 15.62%; After the investment recovery date – 16.38%.
Total share of equity holders of the	-

GENERAL INFORMATION ABOUT THE OIL ASSET	
Company in the cumulative investment in the oil asset in the five years preceding the last day of the reporting year (whether recognized as an expense or as an asset in the financial statements):	

(c) **Actual and planned work plan for the leases**

Set forth below are details regarding the operations planned in the oil asset and the costs in respect thereof (100%) as included in the bid submitted by the Partners as part of the tender. According to the terms of the said procedure, these operations constitute the oil asset's binding work plan.

Licenses			
Period	**Summary of actual operations in the period or of the planned work plan**	**Estimated total budget for operations on the level of the oil asset (USD thousand)**	**Actual participation of the Company's equity holders in the budget (in USD thousand)**
2024-2026	Acquisition, execution and processing of seismic surveys and additional work.	Approx. 25,000	Approx. 4,555

Forward-looking information warning - The Company's estimate regarding the planned operations, including the estimated costs, schedules, and actual performance, constitutes "forward-looking information" as defined in the Securities Law, based, among other things, on the Partnership's assessments regarding the components of the work plan as agreed between the Partners prior to the submission of the bid in the tender. Implementation of the actual work plan, including schedules and costs, may differ materially from the estimates detailed above and is subject, among other things, to market conditions, regulation, many external circumstances, including technical requirements and capacity, and economic viability.

1.7.10 **Discontinued operation**

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

(a) Eran License

The Partnership previously held approx. 22.67% of the rights in the Eran license, which expired on June 14, 2013. Following the decision of the Petroleum Commissioner not to extend the Eran License, on October 3, 2013 the Partnership and other holders of rights in the Eran License filed an appeal against the Petroleum Commissioner's foregoing decision with the Minister of Energy. On August 10, 2014, the Minister of Energy dismissed the appeal. On November 17, 2014, the rights holders in the Eran license, including the Partnership, which holds approx. 22.67% of the rights in the license, appealed this decision to the High Court of Justice. On June 2, 2016, the High Court of Justice gave the decision of the parties' consent to mediation the force of a ruling. At the consent of the parties, the retired President of the Supreme Court, Justice A. Grunis was appointed as Mediator. At the conclusion of the mediation, the parties reached agreements that were anchored in a mediation arrangement. On March 20, 2019, the court was petitioned to validate the mediation arrangement as a court judgment. Under the mediation arrangement, the parties agreed to mediation (with the consent of the Tamar partners) for the splitting of the Tamar SW Reservoir to the Tamar Lease (78%) and the area of the Eran license (22%). In addition, it was agreed that the right in the area of the Eran license will be divided by 76% for the State and 24% for the rights holders in the Eran license, prior to its expiration (pro rata to their holdings in the license). On April 11, 2019, the court validated the mediation arranged between the parties, as aforesaid, as a court judgment. The Tamar Partners, the State of Israel and Eran license holders are holding negotiations as to the manner of settlement the rights of the State and the other holders of rights in the Eran license, and other related issues; however, as of the report approval date, the parties have not yet reached an agreement as to the manner of the implementation of the mediation arrangement, as described above.

(b) Alon D License

The Partnership previously held approx. 53% of the rights in the Alon-D license, which expired on June 21, 2020, after the Petroleum Commissioner denied the Partners' applications for its extension. On November 26, 2023, the Supreme Court, sitting as the High Court of Justice, dismissed a petition filed by the partnership in the license against the Minister of Energy and others in connection with their rights in the Alon-D license, and stipulated that the petitioners are not entitled to the extension or renewal of the license.

Due to the expiry of the Alon-D license, the Partnership and Chevron (hereinafter in this section - the "**Bidders**"), which were the license's partners submitted a bid under a tender announced by the Ministry of Energy on June 23, 2020 for granting a natural gas and oil exploration license in Block 72, whose area overlaps considerably with the area of the Alon-D license (hereinafter - "**Block 72**"), and which scored the highest score. Further to the above, on January 10, 2021, the Market Concentration Committee published its recommendation not to allow the Bidders to win the tender in view of the competition in the natural gas sector and economy-wide concentration considerations. Following the above, the Bidders requested that the Petroleum Commissioner disregard the Market Concentration Committee's recommendation, because it is deficient, ignores material facts and is inaccurate. As of the report approval date, the Commissioner's decision regarding the tender pertaining to Block 72 has not yet been made. It is noted that part of the area of Block 72 is within an area, whose exploration rights were transferred to Lebanon as part of the Maritime Agreement with Lebanon, as detailed below.

The Maritime Agreement with Lebanon

On October 27, 2022, Government Resolution No. 1906 was published approving the maritime border 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, will remain as is. The Maritime Agreement also provides that if a natural gas reservoir is discovered that crosses the border that was set, the development and production thereof will be performed by the rights holders of Block 9 in Lebanon that borders on Block 72. Further to the above, the State of Israel and the consortium of international companies that hold the exploration license in Block 9 in Lebanon, which borders Block 72 in Israel signed a Memorandum of Understanding dealing with Israel's economic rights in the event where a discovery is made in Block 9. To the best of the Partnership's knowledge, in October 2023, the consortium reported that no commercial discovery was made in the first drilling carried out in the area of Block 9.

(c) Tamar Project (I/12 Tamar Lease and I/13 Dalit Lease)

On December 9, 2021, the transaction for the sale of the balance of the Partnership's rights in the I/12 Tamar and I/13 Dalit leases was completed, in accordance with the Sale Agreement set out in Section 1.7.12(j) to the Company's 2022 Periodic Report.

(d) Ofek Hadash and Yahel Hadash Licenses

On March 19, 2019, the Partnership entered into an agreement with SOA Energy Israel Ltd. (hereinafter - "**SOA**") for the purchase of 25% of the rights (100%) in two onshore licenses "405/Offek Hadash" and "406/Yahel Hadash", which were classified by the Company as negligible oil assets in relation to all of the Company's activity and assets. On June 20, 2022, the said licenses expired. On March 12, 2024, the partners in the Ofek Hadash License received a letter from the Petroleum Commissioner, whereby SOA is to complete the decommissioning of the drilling until the earlier of: (a) Three months after the lifting of the declaration of a special situation on the home front; and (b) August 31, 2024.

1.7.11 **Renewable energies**

Accordingly, on March 13, 2023, the Partnership signed a detailed agreement with Enlight for exclusive cooperation, for a limited period, to locate, 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 (hereinafter in this section - the "**Agreement**" and the "**Transaction**", respectively). As set out below, in the transaction, Enlight will assign part of its rights in the transaction to Yossi Abu (hereinafter - "**Mr. Abu**"), CEO of the Partnership. Accordingly, on March 13, 2023, an agreement was signed between Mr. Abu and Enlight (hereinafter - "**Abu Agreement**").

Description of the highlights of the Agreement:

A. The parties will work together, exclusively for a limited period, to locate, initiate, develop, finance, construct and operate renewable energy projects in the above target countries (hereinafter in this section - the "**Joint Venture**"). For the purpose of the Joint Venture, the parties will establish companies to promote the joint operations (hereinafter - the "**Joint Companies**"). The Partnership's holding rate of the Joint Companies will be 33.33% and the remaining interests in them (66.67%) will be held by a company held by Enlight (70%) and Mr. Abu (30%) (hereinafter - "**Enlight's Company**"). According to the Abu Agreement, Mr. Abu's share of the investments required in Enlight's Company will be provided in his favor by Enlight by provision of a non-recourse loan.

B. As part of the Joint Venture, the Partnership will use its business relationships in the above target countries to promote the Joint Venture, with Mr. Abu's personal involvement. Enlight's Company, through Enlight, will provide the joint operations with professional planning, development and management services to promote the Joint Venture.

C. Enlight will have control at the construction and operation phases of the projects. The agreement sets out provisions regarding the rights of the parties to appoint board of directors members of the Joint Companies based on their holding rate and to decide that Mr. Abu will serve as the chairman of the board of the Joint Companies for the first 24-month period.

D. As part of the Joint Venture, one of the Joint Companies will conduct feasibility and due diligence tests for each project it deems appropriate for the collaboration, and then the parties will notify each other whether they wish to participate in and promote the project proposed under the Joint Venture. In the event that the Partnership does not confirm its participation in a specific project or objects to its promotion, Enlight's Company may carry out the project independently, without the Partnership, in which case, the Partnership will be eligible for reimbursement of its expenses in that project plus interest.

E. It was agreed in the Agreement that the decisions in the Joint Companies will be made by majority resolution, subject to requiring the Partnership's consent in specific decisions as long as it holds 15% or more of the equity of the Joint Companies. Provisions were also set out regarding the method of financing the operations of the Joint Venture and the investments in projects that will be made thereunder, based on the proportionate share of each of the parties.

F. The exclusive collaboration between the parties will be for a 3-year period from signing of the Agreement, which in certain circumstances may be extended for up to a period of 5 years from signing of the Agreement (hereinafter - the "**Exclusivity Period**"). Once the Exclusivity Period ends, the collaboration will continue for projects started before the end date, and Enlight will be entitled to promote projects that are in the early development stages without including the Partnership.

G. The Agreement sets out detailed provisions on other issues, as is standard in transactions of this kind, inter alia, regarding decisions requiring the Partnership's consent as long as it holds 15% or more of the equity of the Joint Companies, provisions on restrictions applicable to the transfer of rights in the Joint Companies to third parties, early termination of the Exclusivity Period, provisions in connection with addition of third parties to projects, and provisions regarding the policy for profit sharing by the Joint Companies.

On September 21, 2022, the general meeting of the holders of the participation units resolved to approve investments in renewable energy projects, up 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), as required by the TASE Rules and Regulations, including the transaction outline with Enlight, taking into account, among other things, the personal interest of Mr. Abu in the transaction.

As at the report approval date, the parties are working to identify investment opportunities in renewable energy projects as part of the collaboration.

1.7.12 **Products**

(a) **Natural gas**

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

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

LNG and CNG can be transported in sizable quantities over large distances by special tankers.

For information about the local gas market, including developments and changes, see Sections 1.7.13(a) above and about exporting natural gas and selling it on the international market, see Section 1.7.14(b) below.

(b) **Condensate**

During natural gas production and treatment, condensate is also produced as a by-product, which is a hydrocarbon byproduct of condensation of different natural gas carbon components. The condensation is the result of the differences between the pressure and temperature in the reservoir and those on the surface. Condensate produced by the Leviathan Project requires minimum treatment, mainly stabilization, to be able to transport it to the customers, which used it mainly as a raw material in the production of distillates. The percentage of condensate produced is relative to the quantity of natural gas produced by the Leviathan Project is relatively small and is a few barrels per MMCF of natural gas. For information about the Partnership's condensate supply agreement together with its partners from the Leviathan Project, see Section 1.7.13D below.

1.7.13 **Customers**

(a) **General**

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

(b) **Major customers:**

In 2022, NEPCO in Jordan and Blue Ocean in Egypt were the Leviathan Reservoir's largest customers. In 2023, the Partnership's revenues from gas sales from the Leviathan project to NEPCO and Blue Ocean represented approx. 27% and approx. 58%, respectively, of the Partnership's total revenue from the Leviathan project. The agreements signed between the Leviathan partners and NEPCO and Blue Ocean are long-term, and their termination or breach may materially affect the Partnership's business and future revenues. In 2023, the Partnership's revenues from the Leviathan Reservoir were from sales in Israel to independent power producers, industrial customers and natural gas marketing companies.

(c) **Natural Gas Supply Agreements from the Leviathan Project**

Below is a summary of the natural gas supply agreements from the Leviathan project signed by the Partnership together the Leviathan partners, which are valid as at the report approval date.[34]

	Year of start of supply	Term of the agreement[35]	Total maximum supply quantity (100%) (BCM)	Quantity supplied up to December 31, 2022 (100%) (BCM)	Main linkage basis for the price of gas
Independent power producers	2020, or when commercial operation of the Buyers' power plant starts (whichever is later).	These are long-term agreements for a period of 9 to 25 years. In most of the other agreements, each party is granted an option to extend the agreement if the total quantity is not purchased.	Approx. 19.1	Approx. 2.3	In most of the agreements, the linkage formula gas price is based on the electricity production rate and includes a minimum price. In one of the agreements there is an unlinked fixed price.
Industrial customers	2020	The agreements are for a term of between two and a half and 15 years. In most agreements, the parties are not given an option to extend the term of the agreement.	Approx. 4.2	Approx. 0.9	In most of the agreements, the linkage formula is partially based on linkage to Brent prices and in part to the electricity production rate, and includes a minimum price. There is also a partial linkage to the refining margin index and the general DSM index published by the Israel Electricity Authority. In a number of agreements, there is a fixed price that is not linked.
Export agreement - NEPCO (as described in Section 1.7.13C(2)(a) below).	2020	15 years. The agreement stipulates that if the buyer does not purchase the total contractual quantity, the supply period will be	Approx. 45	Approx. 10	The linkage formula is based on linkage to Brent prices and includes a minimum price.

34 It should be noted that the information in the table does not include agreements for natural gas supply from the Leviathan project, which are on an interruptible basis.

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

	Year of start of supply	Term of the agreement[35]	Total maximum supply quantity (100%) (BCM)	Quantity supplied up to December 31, 2022 (100%) (BCM)	Main linkage basis for the price of gas
		extended by another two years.			
Export agreement - Blue Ocean (as described in Section 1.7.13C(3) below)	2020	15 years. The agreement stipulates that if the buyer does not purchase the total contractual quantity, the supply period will be extended by another two years.	Approx. 60	Approx. 16.4	The linkage formula is based on linkage to Brent prices and includes a minimum price. The agreement includes a mechanism for an update of the price at a rate of 10% (addition or reduction) after the fifth year and after the tenth year of the agreement upon the fulfillment of certain conditions set out in the agreement.
Total			**Approx. 128**	**Approx. 30**[36]	

Forward-looking information - The information in the table above regarding the total financial value of the supply agreements, the quantity of natural gas, and the supply periods, is forward-looking information, as defined in Section 32A of the Israel Securities Law, and there is no certainty that it will materialize, in whole or in part, and it might materialize in a substantially different manner, due to various factors beyond the Partnership's control, including due to changes in the volume, rate, and timing of natural gas consumption by the gas consumers, exercise of the options granted to customers in the supply agreements and the date of their exercise, and other factors beyond the control of the Leviathan partners.

[36] It should be noted that, the total quantity supplied from the Leviathan project up to December 31, 2023 (100%) (both under the agreements specified in the table and under spot agreements, and agreements that have ended) amounts to approx. 40 BCM.

The following table includes a breakdown of Partnership's revenues from the Leviathan Reservoir in 2022-2023:

	2023		2022	
Customer	**Total revenue (in USD million)**	**% of the total revenue**	**Total revenue (in USD million)**	**% of the total revenue**
Independent power producers (IPPs) and IEC				
Others	Approx. 125	Approx. 11	Approx. 217	Approx. 19
Industrial customers and marketing companies				
Others	Approx. 43	Approx. 4	Approx. 69	Approx. 6
Natural gas export				
NEPCO	Approx. 296	Approx. 27	Approx. 325	Approx. 28
Blue Ocean	Approx. 630	Approx. 58	Approx. 533	Approx. 47

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

(a) In 2023 and up to the report approval date, the Partnership signed several more agreements for the sale of natural gas with various customers in the Israeli market on a spot basis. It should be noted that during the fourth quarter of 2023, with temporary suspension of production from the Tamar Reservoir due to the outbreak of the Iron Swords War, the Leviathan partners worked towards signing of agreements on a spot basis with all relevant customers in the Israeli market, to ensure there is no shortage of natural gas in Israel through the supply of natural gas to these customers, as needed.

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

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

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

(2) Agreement for the export of natural gas from the Leviathan Reservoir to NEPCO in Jordan

(a) On September 26, 2016, an agreement for the supply of natural gas was signed between NBL Jordan Marketing Limited (hereinafter - the “**Marketing Company**") and the National Electric Power Company of Jordan (NEPCO) (hereinafter - the “**Export Agreement to Jordan”**). The Marketing Company is a wholly owned subsidiary of the partners in the Leviathan project, including the Partnership, which holds it in proportion to their interests in the Leviathan project.

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

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

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

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

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

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

(d) On July 3, 2023, the parties agreed on an increase in the natural gas quantities to be supplied to NEPCO on a firm basis, temporarily and for several months in 2023-2024, and that the minimum annual quantity that NEPCO undertook to take or pay in 2023-2024 will increase accordingly. The aforesaid does not change the total supply volume under the Export Agreement to Jordan (approx. 45 BCM), as specified above.

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

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

(a) Following previous agreements with Blue Ocean, on September 26, 2019, the Leviathan partners and Blue Ocean signed an agreement for the supply of natural gas to Egypt (hereinafter - the “**Export Agreement to Egypt**"), and concurrently, the Leviathan partners and the Tamar partners signed an agreement for allocation of the available capacity in the transmission system from Israel to Egypt and incurring of the expenses required to acquire and use the pipeline (for further information, see Section 1.7.12(e) below, and supply of natural gas to Egypt from the Leviathan Reservoir, according to the agreement, began on January 15, 2020.

(b) Summary of the main terms of the Agreement for Export to Egypt

1. The total contractual gas quantity that the Leviathan Partners undertook to supply to the Buyer is on a firm basis and is approx. 60 BCM (hereinafter - the "**Total Contractual Quantity**").
2. The gas supply, which commenced on January 15, 2020 and will continue until December 31, 2034 or until full supply of the Total Contractual Quantity, whichever is earlier (hereinafter - the "**Supply Period**"). In the event that the buyer does not purchase the total contractual quantity, each party may extend the supply period by another two years.
3. The Leviathan partners undertook to supply annual quantities of gas to the buyer, as follows: (1) in the period beginning on January 15, 2020 and ending on June 30, 2020 - approx. 200 MMCF per day (approx. 2.1 BCM per year); (2) In the period beginning on July 1, 2020 and ended on June 30, 2022 - approx. 350 MMCF per day (approx. 3.6 BCM per year), using a compressor installed at the EMG terminal in Ashkelon; and (3) in the period which began on July 1, 2022 and ending at the end of the supply period - approx. 450 MMCF per day (approx. 4.7 BCM per year). Furthermore, the agreement includes provisions regarding the option of piping additional gas quantities, beyond the above daily quantities, on a spot basis. The export agreement stipulates provisions whereby in cases of a shortfall in the daily gas quantities in a specific month, the buyer is entitled - under certain conditions - to compensation in the form of a discount on the gas supplied to it in the subsequent month, at a rate that is set, among other things, as a function of the shortfall rate in the current month.
4. The Buyer undertook to take-or-pay commitment for quarterly and annual quantities, in accordance with the mechanisms set out in the Export Agreement to Egypt, which, among other things, allow the Buyer to reduce the take or pay quantity in a year in which the average daily Brent price (as defined in the agreement) falls below USD 50 per barrel, to 50% of the annual contractual quantity. Insofar as the contractual quantity is reduced in the event of a dispute regarding an adjustment to the gas price, as set out in subsection 5 below, the right of the buyer to reduce the take-or-pay quantity as aforesaid will be null and void. The average Brent price in 2023 and the price of a barrel of Brent immediately prior to the report approval date were approx. USD 80.
5. The price of gas supplied to the Buyer will be calculated by a formula based on the price of a barrel of Brent oil, and includes a minimum price. The Export Agreement to Egypt includes a mechanism for an update of the price at a rate of up to 10% (addition or reduction) after the fifth year and after the tenth year of the agreement, upon the fulfillment of certain conditions set out in the agreement. If the parties fail to reach an agreement on the price update as described above, the Buyer will be entitled to reduce the contractual quantity by up to 50% on the First Adjustment Date and up to 30% on the Second Adjustment Date. It should be noted that the Agreement includes quantity-based incentives and is subject to the price of a barrel of oil.
6. The Export Agreement to Egypt includes standard provisions for its termination and provisions in the event of termination of the export agreement between the Tamar partners and Blue Ocean due to its breach, and the refusal of the Leviathan partners to supply the quantities set out in the Tamar Agreement, and includes compensation mechanisms in such case.

(c) Up to December 31, 2023, the Leviathan's partners provided the buyer with approx. 16.45 BCM for a total consideration of approx. USD 3.54 million. At the date of signing the Export Agreement to Egypt, the Partnership estimated the total contractual quantity (for all Leviathan Partners) to be approx. USD 12.5 billion. This estimate is based, among other things, on the assumption that the buyer will consume the total contractual quantity set out in the agreement, and on various estimates for the price of natural gas in the supply period. It should be emphasized that the actual revenue will be based on a series of factors, most of which are beyond the Partnership's control.

(d) To allow the export quantities to Egypt to be increased and due to completion of the combined section Ashdod-Ashkelon project, the Leviathan partners and Blue Ocean signed an amendment to the Export Agreement to Egypt, in which it was agreed, among other things, to define an additional gas delivery point in Aqaba, Jordan under the Export Agreement to Egypt, which sets out a certain price discount as compensation to Blue Ocean for the additional transmission costs involved in transporting the gas from the additional delivery point, which are covered by Blue Ocean. The piping of gas to Egypt, to the delivery point in Aqaba, started in March 2022, and is carried out through the Jordan North export pipeline.

Forward-looking information - The above information regarding the revenue expected under the Export Agreement to Egypt and the quantities of natural gas that may be sold to the buyer is based on assessments, forecasts, and assumptions made by the Partnership. These estimates constitute forward-looking information as defined in Section 32A of the Israel Securities Law, and there is no certainty that it will materialize, in whole or in part, and it may materialize in a substantially different manner, due to various factors beyond the Partnership's control, including changes in the volume, rate, and timing of natural gas consumption by the buyer, changes in the price of gas under terms of the agreement, and other factors that cannot be predicted as of the approval date of this report and over which the Partnership has no control.

D. Agreements for the supply of condensate from the Leviathan Reservoir

(1) General

As described above, condensate is a liquid carbon formed by condensation of natural gas. Since condensate is a byproduct of natural gas production and treatment, the production procedures for natural gas from the Leviathan Reservoir require stabilizing the condensate and transferring it to shore.

(2) Agreement with Bazan

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

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

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

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

In correspondence between the Leviathan partners and Bazan in the first quarter of 2022, the Leviathan partners claimed that the absence of payment for the condensate supplied to Bazan constitutes abuse of Bazan's power as a nonopsony in the purchase of condensate, in violation of the law. In this application, Leviathan's partners requested negotiations with Bazan to amend this violation immediately and retroactively. Bazan responded in a letter rejecting the claims of the Leviathan partners, and the Leviathan partners responded with a clarification of their position, according to which Bazan's failure to pay for the condensate supplied to it constitutes a violation of the law and causes material damage to the Leviathan partners. It should be noted that following the agreement signed with Oil Refinery Ashdod (as defined below), Bazan sent a letter to the Leviathan partners stating that the agreement with Oil Refinery Ashdod constitutes a breach of the agreement with Bazan, an expected breach of the agreement, and an act of bad faith. Later, on February 4, 2024, the Leviathan partners notified Bazan that the piping of condensate to Ashdod Refinery is expected to start in March 2024, and that from such date, the quantities transferred to Bazan will be reduced significantly. In response to this notice, Bazan sent a letter to the Leviathan partners according to which their notice constitutes a breach of the agreement with Bazan. In this letter, Bazan also demanded that the Leviathan partners clarify the quantities of condensate that they intend to supply to Bazan. According to the Partnership's position, Bazan's allegations and demands are baseless.

(3) Agreement with Energy Infrastructures

On September 1, 2022, Chevron (in the name of the Leviathan Partners) and Energy Infrastructures signed an agreement for the piping of condensate from the Leviathan project through the existing 6-inch pipeline of Energy Infrastructures and its related systems (hereinafter - the “**Pipeline**"). The Agreement will be valid for 20 years from the Date Transmission Commences, subject to provisions granting parties the option of canceling it before the end of the term, under certain conditions. According to the agreement, Energy Infrastructures will be responsible for planning and carrying out the connection and adjustment of the Pipeline for transmission of condensate as described above (hereinafter - the “**Connection Work**”), and for obtaining all approvals for the piping of condensate in the Pipeline, and the ongoing operation and maintenance of the Pipeline. Chevron undertook (through the Leviathan partners, according to their share of the Leviathan leases) to cover the costs involved in the Connection Work based on the scope and mechanism set in the Agreement, at amounts to be agreed by the parties in advance.

Each of the parties may terminate the Agreement if the preconditions are not fulfilled within 12 months of the signing date or if the transmission commencement date does not occur within 12 months of entry into effect of the Agreement.

During the transmission period, Energy Infrastructures will make the Pipeline available for use by Chevron (except in emergencies defined in the Agreement, in which the piping of condensate in the Pipeline will be suspended temporarily), and will reserve agreed capacity in the Pipeline in return for fixed capacity fees specified in the Agreement. Furthermore, Energy Infrastructures will transmit the condensate in the Pipeline in return for transmission fees finalized in the Agreement.

In November 2022, the Leviathan partners approved a budget of approx. USD 27 million (100%) for implementation of the said agreement.

On February 1, 2024, the Partnership was informed that all conditions precedent for the agreement’s coming into effect have been complied with, and further to that, on March 7, 2024, the piping of condensate in the Pipeline started, within the framework of the budget, as stated above.

Forward-looking information: The above information, including the possibility of fulfillment of the preconditions is forward-looking information, as defined in the Israel Securities Law. Such information is based on the Partnership’s assessments and assumptions, as at the report approval date. Fulfillment of the preconditions of the Agreement depends on various factors beyond the Partnership’s control.

(4) <u>Agreement with Paz Ashdod Refinery Ltd. (hereinafter - “**Oil Refinery Ashdod**”)</u>

On January 18, 2023, the Leviathan partners, including the Partnership (hereinafter in this section - the "**Sellers**") entered into an agreement with Oil Refinery Ashdod for the sale of condensate to Oil Refinery Ashdod (hereinafter in this section - the “**Agreement**”). Description of the highlights of the Agreement:

A. According to the Agreement, the Sellers undertook to supply Oil Refinery Ashdod with condensate produced from the Leviathan Reservoir, which will be transmitted through Energy Infrastructures’ Pipeline.

B. The Agreement stipulated, among other things, provisions for limitations on the maximum quantities (daily and monthly) of condensate to be supplied to Oil Refinery Ashdod, fines in the event of a breach of the provisions of the Agreement, and other standard provisions in agreements of this type.

C. The piping of condensate to Oil Refinery Ashdod will start on the date of commencement of piping in the Energy Infrastructures Pipeline (hereinafter in this section - the “**Gas Flow Commencement Date**”) and will continue for a period of 4 years. It should be noted that on March 7, 2024 the piping of condensate to ORA.

D. The price to be paid to the Sellers is set according to the Brent oil price per barrel less a margin, gradually, as set out in the Agreement.

E. The Sellers estimate that the total revenue to them from the Agreement may amount to approx. USD 200-300 million (100%, the Partnership’s share - approx. USD 90-135 million), based on the Brent price level at the report approval date. It should be clarified that there is no certainty as to the amount of revenue that may arise to the Partnership from the execution of the agreement, and that the actual revenue will be derived from various factors, including the quantities of condensate actually supplied and sold to ORA and the Brent prices.

Forward-looking information: The above information in connection with the Agreement, including the expected revenue from the Agreement, is forward-looking information, as defined in the Israel Securities Law, and there is no certainty that it will materialize, in whole or in part, and it may materialize in a substantially different manner, due to various factors beyond the Partnership's control, including changes in the volume and rate of condensate production (derived from the gas production rate from the Leviathan Reservoir), and the condensate price to be set according to the Brent prices.

1.7.14 **Marketing and Distribution**

(a) **Supply to the local market**

The Partnership, together with its partners in the Leviathan project, supplies natural gas and condensate to its customers in Israel, under the agreements described in Section 1.7.13 above. Concurrently, the Leviathan partners are in various stages of negotiations with other potential customers in the local market, including independent power producers and industrial consumers, subject, among other things, to the supply capacity of the Leviathan project.

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

(b) **Export**

(1) General

The Partnership, together with the Leviathan partners, natural gas and condensate to customers in Jordan and Egypt, Israel, under the agreements described in Section 1.7.13(c) above. Concurrently, the Leviathan partners are working to identify other markets and potential customers outside Israel for marketing natural gas. The Company believes that the potential markets include the countries near Israel (including the Palestinian market, which currently purchases electricity from Israel although to the best of the Partnership's knowledge there are also plans to construct in the territory of the Palestinian Authority and Gaza Strip electricity generation power plants), mainly Egypt and Jordan, to which natural gas is exported by pipeline, and more distant global markets to which natural gas may be exported though LNG and/or CNG. In this context, it should be noted that the Leviathan partners are assessing the economic viability of potential projects for the export of natural gas, through LNG (including liquefaction of natural gas on an FLNG) as described above and below.

(2) Exports via a pipeline to Egypt and Jordan

As at the report approval date, the export pipeline infrastructure to the Partnership's customers in Egypt and Jordan includes the following main systems. As detailed below, the capacity of gas supply to Egypt through the said systems is divided between the Tamar Partners and the Leviathan Partners.

A. The EMG Pipeline, which connects the Israeli transmission system in the Ashkelon area to the Egyptian transmission system in the el-Arīsh area has been serving as the main export line to Egypt since the commencement of production from the Leviathan Reservoir. For information about the EMG Transaction, which allows the piping of natural gas to Egypt through the EMG Pipeline, see Section 7.25.5 below.

In July 2020, upon operation of the compressor at the entry to the EMG system in Ashkelon, the flow capacity in the EMG pipeline reached, within the limits of the infrastructure of the existing INGL transmission system, approx. 500 MMCF/d (approx. 5 BCM per year). In March 2022, another compressor was installed in Ashkelon, which will enable the flow capacity in the EMG system to be increased to approx. 600 MMCFD (approx. 6 BCM per year). It is noted that the maximum utilization of this capacity depends on the conditions of INGL's national transmission system, which may change from time to time.

In order to increase the transmission capacity in the EMG Pipeline to approx. 800 MMCF per day (approx. 8 BCM per year), INGL is executing a project for the construction of a new marine segment of approx. 46 km between Ashdod and Ashkelon (above and hereinafter - the "**Combined Section**"). The expected date for completion of the combined section construction project was postponed several times. For further details, and for details regarding the transmission agreements that were signed with INGL, see subsection 1.7.14(e) below.

For details regarding the agreement for the allocation of capacity in the EMG Pipeline between the Leviathan Partners and the Tamar Partners, see Section 7.25.5 below.

B. The North Jordan export pipeline, which connects the Israeli transmission system to the Jordanian transmission system near the Sheikh Hussein border crossing. Construction of this pipeline was completed in December 2019, among other things, by the construction of a natural gas pipeline by INGL from the Tel Kashish station to the border with Jordan, including construction of a station near the border to measure the gas exported to Jordan. The continuation pipeline on the Jordanian side was constructed by FAJR, the Jordanian transmission company (which is under Egyptian ownership), which connects the Israeli transmission system to the existing transmission system in Jordan and the Pan-Arab Pipeline, and connects to the Egyptian transmission system in the Aqaba area (above and hereinafter - the "**North Jordan Export Pipeline**"). As at the report approval date, the total maximum capacity of gas supply in the North Jordan Export Pipeline is approx. 7 BCM per year, of which approx. 3.5 BCM is allocated to the NEPCO agreement.

To increase the transmission capacity to Egypt through the North Jordan Export Pipeline, until the report approval date the Leviathan partners approved preliminary budgets, prior to making a final investment decision (if any), in a total amount of approx. USD 37.5 million (100%)), for the construction of a compressor station and other related work on the Jordanian transmission system (hereinafter - the "**FAJR+ Project**"). According to the operator's estimate, the budget for the FAJR+ Project is estimated at approx. USD 335 million (in equal parts between the Leviathan and Tamar partners; the Partnership's share is approx. USD 76 million). The FAJR+ Project is expected to increase the total transmission capacity in the North Jordan Export Pipeline to approx. 10.5 BCM per year in the first half of 2026. As of the report approval date, the Leviathan Partners are working towards making a final investment decision for the FAJR+ project, which is expected to be made by the end of the first half of 2024.

C. The South Jordan Export Pipeline, which connects the Israeli transmission system in the South Dead Sea region to Jordanian industrial works.

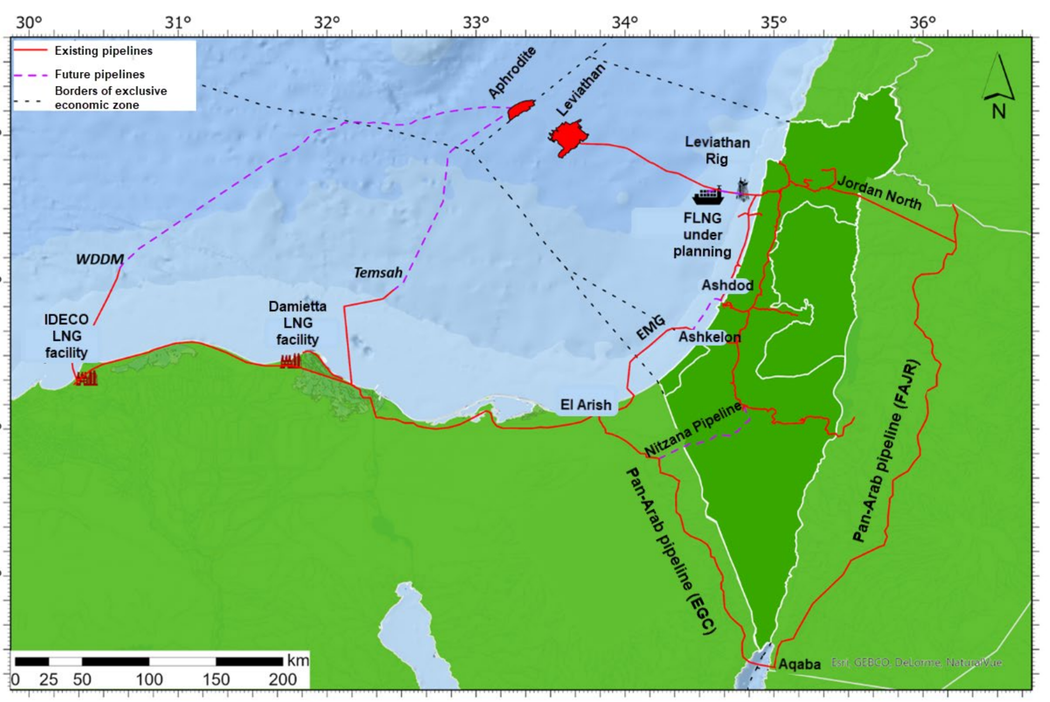
D. As at the report approval date, the operator - representing the Leviathan and Tamar partners - is exploring the possibility of participating in the construction of an new offshore connection between the Israeli transmission system and the Egyptian transmission system in the Nitzana area (hereinafter - the "**Nitzana Pipeline**"), including a pipeline and construction of a compressor station in the Ramat Hovav area. The Nitzana Pipeline (if constructed) will be part of INGL's transmission system and is expected to increase the transmission capacity to Egypt by approx. 6 BCM per year.

To promote the construction of the Nitzana Pipeline until the report approval date the Leviathan Partners approved preliminary budgets, prior to undertaking to participate in financing the Nitzana Pipeline, based on the Natural Gas Council Resolution on the matter, and prior to making a final investment decision (if any), at a total amount of approx. USD 14.5 million (100%). According to the operator's assessment, the budget for the Nitzana Pipeline is estimated at approx. USD 360 million (in equal parts between the gas exporters who will participate in its financing; the Partnership's share is approx. USD 82 million).As at the report approval date, the Partnership, together with the other Leviathan Partners, is assessing all commercial terms and conditions of this project compared to alternatives of other projects to increase the export capacity to Egypt, and it will decide accordingly whether and how to participate in the Nitzana Pipeline project.

Set forth below is a table summarizing the estimated current and potential transmission capacity of each of the export transmission systems, and the overall current and potential export capacity from the Leviathan Reservoir, in BCM terms:

Infrastructure	Current transmission capacity	Additional potential transmission capacity	Total potential transmission capacity	Overall current and potential export capacity from the Leviathan Reservoir	Additional transmission capacity is conditional upon:
EMG	Approx. 6	Approx. 2	Approx. 8	Approx. 6	Completion of the Combined Section
The Jordan-North Export Pipeline	Approx. 7 (approx. 3.5 to Egypt and approx. 3.5 to Jordan)	Approx. 4 to Egypt	Approx. 11 (approx. 7.5 to Egypt and approx. 3.5 to Jordan)	Approx. 7.25 (approx. 3.75 to Egypt and approx. 3.5 to Jordan).[37]	FAJR+ Project
Nitzana Pipeline	-	Approx. 6	Approx. 6	Approx. 3 (estimate).[38]	Nitzana Pipeline Project
Total	Approx. 13	Approx. 12	Approx. 25	Approx. 16.25	

Set forth below is a map presenting the existing and future system of export pipelines:



(c) **<u>The natural gas market in Jordan</u>**[39]

To the best of the Partnership's knowledge, based on information and analysis received from independent consulting companies, Jordan's local use was approx. 3.9 BCM in 2023, a slight increase compared to 2022. Natural gas is the main energy source for electricity production in Jordan, such that in 2024, approx. 70% of the electricity in Jordan was produced using natural gas, and approx. 30% will be produced using renewable energies. In the opinion of the Partnership, in 2024 Jordan's natural gas consumption is expected to increase to a level of approx. 4 BCM, and over the next decade it is expected to be in the range of approx. 4-4.3 BCM. The stability in the forecast of natural gas consumption in Jordan, notwithstanding the expected increase in demand for energy in general and electricity in particular, is due to the accelerated introduction of renewable energies in the electricity generation sector in Jordan,

37 The potential export capacity from the Leviathan Reservoir as stated above is in accordance with the Partnership's estimation of the estimated allocation rate of the Leviathan Project out of the potential export capacity of the FAJR+ project.

38 The potential export capacity from the Leviathan Reservoir as stated above is in accordance with the Partnership's estimation of the estimated allocation rate of the Leviathan Project out of the potential export capacity of the Nitzana Pipeline project. For details, see Sections 1.7.13(b)(2) and 1.7.20(e)(6) below.

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

following government policy, and due to electricity generation from the Attarat power plant, as described above. As at the report approval date, the Leviathan Reservoir is the main source of natural gas imported to Jordan for electricity production, along with the importation of approx. 0.5 BCM in 2023 from Egypt under past agreements between Jordan and Egypt. Jordan also produces negligible amounts of natural gas.

To the best of the Partnership's knowledge, Jordan has an operational LNG import facility in Aqaba, and it can import LNG by taking advantage of opportunities in LNG spot markets. Notwithstanding Jordan's LNG importation capabilities, to the best of the Partnership's knowledge no such importation took place in 2023, due to, among other things, LNG prices.

(d) **The natural gas market in Egypt**

Natural gas plays a key role in the Egyptian energy market, while natural gas in Egypt is used mainly to produce electricity, but also for energy-intensive industry and households.

Accordingly, in 2023, approx. 90% of the electricity in Egypt was produced by natural gas, while the balance was produced by fuel oil and renewable energies. Local production in Egypt in 2023 amounted to approx. 59 BCM, a decrease of approx. 11% compared with 2022, and local demand for natural gas in Egypt in 2023 amounted to approx. 63 BCM, an increase of approx. 3% compared with 2022. The increase in demand occurred despite a sharp decline in the local gas production capabilities, which - according to media reports - led to self-initiated power outages of several hours per day, which have been ongoing since the summer of 2023, in order to deal with the shortage of natural gas in the domestic market.

Including the domestic demand, Egypt has two natural gas liquefaction facilities to manufacture LNG for export, with a total liquefaction capacity of approx. 12.2 million tons of LNG per year. Their operation at full capacity is equivalent to natural gas quantities of approx. 19 BCM per year. As at the report approval date, the natural gas production in Egypt is sufficient to meet the needs of the local market, but is insufficient to operate both liquefaction facilities.

Regular exportation of LNG is made possible by importing gas from Israel, which comes second in the order of priorities to the demand in the domestic market, as described above.

According to reports of independent consulting companies, the demand forecasts for the local market in Egypt (excluding the liquefaction facilities) for 2024, 2025, and 2026, amount to approx. 62 BCM, approx. 60 BCM, and approx. 64 BCM, respectively. The production of gas for Egypt underwent significant declines during the past year, beyond previous years' forecasts. The main reason for this is a decline in production from significant gas fields in the Mediterranean Sea, led by the Zohr field, which accounts for approx. 35%-40% of total gas production for Egypt. Another reason for the decline in gas production as described above, is the priority given by companies operating onshore to oil production over gas production, due to low gas prices. Local production from producing fields, fields under development, or fields with a high probability of starting production is expected to stand at approx. 59 BCM, approx. 56 BCM, and approx. 51 BCM in 2024, 2025 and 2026, respectively. Thus, the difference between the demand forecasts for the local Egyptian market and local production in Egypt is expected to increase even further in later years. Accordingly, the Egyptian government is taking measures to promote natural gas supply projects from discoveries in Israel and Cyprus, with the aim of making Egypt a natural gas hub, to satisfy the local market requirements and to use in the existing export facilities, and to promote investments in new export facilities. At the same time, the Egyptian government encourages the exploration, development and production activities in the field of natural gas in Egypt. It is noted that Egypt is the leading country in the world in terms of exploration activity, which is carried out by the major companies in the industry, including Chevron, Shell, ENI, BP, ExxonMobil, and other. It is clarified that, as a result of these activities, there may be new discoveries in Egypt and/or the development of existing fields may be accelerated, such that the production forecasts referred to above will change.

Forward-looking information - The forecasts and estimates regarding the natural gas market in Jordan and Egypt are forward-looking information as defined in Section 32A of the Israel Securities Law. This information is based, among others, on information received from independent consulting companies and is within the scope of estimated forecasts and assumptions that are naturally subject to uncertainty. These forecasts and estimates may not materialize, in whole or in part, or may materialize in a substantially different manner to the above description, due to various factors beyond

the control of the Partnership, including changes in demand for natural gas; changes in supply of natural gas, including local production, discovery and commencement of production of new reservoirs; changes in the energy mix, including accelerated introduction of additional energy source and renewable energies; changes due to macroeconomic effects that affect the economic activity in these markets, including acceleration or slowdown thereof, etc.

(e) **<u>Transmission agreements with INGL with respect to export to Egypt</u>**

(1) On May 28, 2019, an agreement was signed between Chevron and INGL for the supply of interruptible transmission services (hereinafter - the "**INGL Agreement**") for the piping of natural gas from the Leviathan and Tamar Reservoirs to the EMG terminal in Ashkelon for export to Egypt through the EMG pipeline (hereinafter in this section - the "**2019 Agreement**"). Payment under the 2019 Agreement was based on the quantity of gas effectively transmitted using the transmission system, subject to Chevron's undertaking to pay for minimum quantities.

(2) In July 2020, upon operation of the compressor at the entry to the EMG system in Ashkelon, the flow capacity in the EMG pipeline increased, within the limits of the infrastructure of the existing INGL transmission system, to approx. 500 MMCF/d (approx. 5 BCM per year). According to the Export Agreement to Egypt, as described in Section 7.11.3(c) above, the other compressor was installed in Ashkelon, which will enable the flow capacity in the EMG system to be increased to approx. 600 MMCFD (approx. 6 BCM per year). Upon completion of the combined Ashdod-Ashkelon segment, flow capacity from the EMG system can be increased to approx. 800 MMCF/d (approx. 8 BCM per year) and under certain conditions in the Israeli and Egyptian transmission systems, even more.

(3) On January 18, 2021, Chevron entered into an agreement with INGL to provide transmission services on a firm basis, which will supersede the 2019 Agreement, for the piping of natural gas from the Leviathan and Tamar Reservoirs to the EMG receiving terminal in Ashkelon and for transmission to Egypt, which came into effect on February 14, 2021 (hereinafter and below - the "**Transmission Agreement**", or in this section - the "**Agreement**"). Description of the highlights of the Agreement, as amended from time to time:

A. Under the Transmission Agreement, INGL undertook to provide transmission services for the natural gas to be supplied from the Tamar and Leviathan Reservoirs, including maintaining a base capacity in the transmission system in the annual volume of approx. 5.5 BCM (hereinafter - the "**Base Capacity**"). For the transmission services with respect to the Base Capacity, Chevron will pay a capacity fee and will pay for the throughput gas quantity, according to the transmission tariffs that are customary in Israel, as updated from time to time. INGL also undertook to provide interruptible transmission services for additional gas quantities over and above the Base Capacity, subject to the capacity that will be available in the transmission system. For the transmission of the additional quantities as aforesaid, Chevron will pay a transmission tariff for interruptible transmission services for the throughput quantities.

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

C. Under the Transmission Agreement, INGL has undertaken to construct the Combined Section, which is executed in accordance with the resolution of the Natural Gas Market Council regarding the financing of export projects through the Israeli transmission system and allocation of the construction costs of the Combined Section (hereinafter in this section - the "**Council Decision**"), in a manner that allows the piping of the full quantities under the Transmission Agreement.

The piping of the gas in accordance with the Transmission Agreement will start on a date that will be coordinated and agreed upon between the parties, but not earlier than July 1, 2022 and no later than April 1, 2023 (hereinafter in this section - the "**Piping Commencement Date**"), and subject to INGL's right to postpone the Piping Commencement Date in the event that there is a delay in the approval of the NOP, by virtue of which the Combined Section is constructed. Note that in February 2023, Chevron received a letter from INGL that stated that following a malfunction in the ship that carried out the infrastructure works for laying the combined section (hereinafter, in this section - the "**Works**"), and further to an initial assessment that INGL had received from the Works' performing contractor, and at least 6 months' delay in their completion is expected, such that the time window in which the Gas Flow Commencement Date can occur was postponed to the period from October 1, 2023, to April 1, 2024. This announcement by INGL was given as notice of force majeure under the transmission agreement, and it stated that the full consequences are unknown at this stage. In a letter dated March 9, 2023, Chevron rejected INGL's claim of a "force majeure," until the date when information is provided about the malfunction and its effect on INGL's ability to fulfill its obligations under the Transmission Agreement.

In October 2023 Chevron notified the Partnership that it received notice from INGL that due to the outbreak of the Iron Swords War, the work in the project has been suspended and the expected flow commencement date is four months from resumption of the work. In February 2024, Chevron informed the Partnership that it received notice from INGL that the foreign contractor performing the construction work of the combined section does not intend to continue waiting in an availability format i order to continue performing the work and that they intend to return in August-September 2024 to complete their obligations in the project. Due to the above, the Leviathan Partners are examining the significance of the above and the available options.

In February 2024, Chevron sent INGL a letter that noted that, according to Chevron, the Gas Flow Commencement Date is April 30, 2023, at the latest, and therefore, among other things, INGL is required to provide transmission services in accordance with the Transmission Agreement starting from that date, and to refund Chevron for the excess transmission fees collected from that date and until now. On February 26, 2024, Chevron received INGL's response letter, in which INGL denied all Chevron's allegations; according to the letter, the Gas Flow Commencement Date could only occur after the Combined Section is complete. According to the position of Chevron and the Leviathan Partners, INGL's position contradicts the provisions of the Transmission Agreement. As of the report approval date, discussions are underway between the parties to try to settle the above dispute.

D. The Transmission Agreement will expire at the earlier of: (a) the date on which the total throughput quantity will reach 44 BCM; (b) 8 years after the Commencement Date of Gas Flow; or (c) upon the expiry of INGL's transmission license.

E. In accordance with the principles set out in the Council Resolution, Chevron undertook to pay INGL the amount of the partners' share in the Leviathan and Tamar projects (56.5%) out of the overall construction cost of the Ashdod-Ashkelon combined section, which was estimated upon signing of the Transmission Agreement at NIS 738 million. On May 2, 2022, INGL revised the project's budget to approx. NIS 796 million.

In addition, Chevron undertook to pay NIS 27 million for the partners' share, out of the total cost of NIS 48 million for acceleration of the doubling of the Dor-Hagit and Sorek-Nesher sections.

F. In accordance with the Council Resolution, the Leviathan partners and Tamar partners provided a bank guarantee to secure INGL's share of the construction cost of the infrastructure, and to cover Chevron's undertaking to pay the capacity and transmission fee. Accordingly, in February 2021, the Partnership provided the guarantees, in respect of its rights in the Leviathan project, at a total amount, as of the report approval date, of approx. NIS 152 million, and also pledged a deposit of approx. USD 11.5 million in favor of the guarantee facility.

G. The Leviathan Partners and the Tamar Partners shall bear the costs stated in Subsection (e) above and make the guarantees stated in Subsection (f) above, at a rate of 69% and 31%, respectively.

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

I. It was also determined that the transmission period under the 2019 Agreement will be extended until the expiry of the 2019 agreement, at the same terms and conditions, or until January 1, 2025 or until gas starts to flow under the Transmission Agreement, whichever is earlier.

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

Forward-looking information - the Partnership's assessment regarding the effect of the rejection is forward-looking information, as defined in the Israel Securities Law, based partly on INGL's assumptions regarding continuation of the delay in completion of the Combined Section, the availability of the transmission systems to Egypt, including through Jordan,[40] and assumptions regarding the demand for natural gas on the local and export markets, the natural gas sales prices and quantities and the production costs. There is no certainty that this assessment will materialize, in whole or in part, and it may materialize in a substantially different manner, due to various factors beyond the Partnership's control, including further delays in completion of the Combined Section, non-availability of the transmission systems to Egypt, including through Jordan, supply and demand for natural gas on the local market and/or export markets.

(f) <u>**Export of natural gas to Egypt through the Jordan-North export pipeline**</u>

Due to the delay in completing the construction of the Ashdod-Ashkelon Combined Section project, the Leviathan Partners signed a set of agreements intended to enable the piping of the required quantities of natural gas to Egypt under the Export Agreement to Egypt, through Jordan, using the Jordan-North export pipeline. According to the said series of agreements, in March 2022, the gas piping through to Egypt through Jordan has started, allowing maximization of the sale of natural gas produced by the Leviathan Reservoir and transfer of surplus natural gas, which is not consumed in Israel and Jordan and/or delivered to Egypt through the EMG pipeline to the local market in Egypt, through the Jordanian transmission system, mainly until INGL's completion of the Combined Section. As at the report approval date, and as the Leviathan project operator informed the Partnership, using the existing transmission infrastructure under current operating conditions, it is possible to transmit natural gas to Egypt, through Jordan, in an average daily quantity of up to approx. 350 MMCF (approx. 3.5 BCM per year). In this context, it should be noted that the Ministry of Energy granted the Leviathan partners approval for a delivery point for natural gas to Egypt in Aqaba, Jordan. It is further noted that transmission of gas to Egypt through the Jordan-North export pipeline involves additional transmission costs, compared to the transmission of gas through the EMG Pipeline.

The system of agreements includes the following:

[40] For information about natural gas piping under the Export Agreement to Egypt through Jordan, mainly until completion of the Combined Section, see Section 1.7.13C(3) above and Section 1.7.13(b)(6) below.

(1) An agreement between Chevron and FAJR, the Jordanian transmission company, for the provision of interruptible transmission services to pipe natural gas from the Leviathan and Tamar Reservoirs through the transmission system in Jordan, from the entry point at the border between Israel and Jordan to the delivery point at the border between Jordan and Egypt near Aqaba (hereinafter - the "**FAJR Agreement**"). The payment under the FAJR Agreement will be based on the quantity of gas actually transmitted in the FAJR transmission system.

(2) Simultaneously to signing the FAJR Agreement, Chevron and the other Leviathan and Tamar partners signed a back-to-back service agreement under which the rights holders of the Leviathan and Tamar Reservoirs will be entitled to transmit gas (through Chevron) under the FAJR Agreement, and according to which, among other things, the FAJR transmission system will be used to export natural gas to Egypt from the Leviathan and Tamar Reservoirs according to the mechanism, terms and surplus arrangement set out in the agreement.

(3) An agreement between Chevron and INGL for the provision of interruptible transmission services in connection with the piping of natural gas from the Leviathan Reservoir through the Jordan-North export pipeline to the connection point to the FAJR transmission system at the border between Israel and Jordan (hereinafter - the "**Jordan-North INGL Agreement**"). The payment under the Jordan-North INGL Agreement will be based on the quantity of gas actually transmitted using the INGL transmission system, subject to Chevron's undertaken to pay for a minimum quantity, as outlined in the agreement. The term of the Jordan-North INGL Agreement was extended until January 1, 2025, unless it is extended by agreement between the parties, subject to the Natural Gas Authority's decision at that date. Simultaneously to signing the Jordan-North INGL Agreement, Chevron and the other Leviathan partners signed a back-to-back service agreement in connection with the Jordan-North INGL Agreement.

(4) The Leviathan partners and Blue Ocean signed an amendment to the Export Agreement to Egypt, as specified in Section 1.7.13C(3)(d) above.

According to the Export Agreement to Egypt, the Leviathan Partners have been obligated to supply Blue Ocean with 450 MMCF of natural gas per day, since July 2022, piping this entire quantity through the EMG Pipeline will only be possible after the Combined Section is complete, and, as said, its construction is delayed. Note that, despite the fact that the gas piping through Jordan is going according to plan as of the report approval date, as the applicable transmission agreements with INGL as of the report approval date are for the provision of interruptible transmission services, it is uncertain as of the report approval date that the full quantities that the Leviathan Partners are obligated to provide to Blue Ocean can be transmitted through Jordan at all times.

As specified above in Paragraph 2B, as of the report approval date, Chevron is promoting the FAJR + Project for the Leviathan and Tamar Partners, which is intended to make it possible to increase the transmission capability to Egypt through the Jordan-North export pipeline.

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

(g) The natural gas market within the Palestinian Authority and the Gaza Strip – Israel is the main source of electricity in the Palestinian Authority and the Gaza Strip. The Palestinian Authority has recently started to develop independent electricity generation, among other things, by advancing the construction of a new power plant for electricity generation in Jenin. In the Partnership's estimation, the natural gas demand for operation of the power plant to be constructed in the Jenin area will be approx. 0.2 BCM annually, and the demand for natural gas to operate the existing power plant in the Gaza Strip will be up to approx. 0.25 BCM annually.

As of the report approval date, due to the Iron Swords War, the Partnership's negotiations with its partners in the various projects for the supply of natural gas to the power plant in the Gaza Strip are suspended, and at this stage, it is uncertain whether and when the negotiations would resume, and at what terms.

(h) The natural gas market in Cyprus - As of the report approval date, 85% of the electricity production in Cyprus is based on imported oil-based products, such as diesel fuel. Cyprus also has difficulty in connecting to the European energy infrastructures due to its geographic location and being an island. However, to the best of the Partnership's knowledge, the Cypriot government and Cypriot electric company are taking steps to promote the replacement of fuel-based products with natural gas and renewable energies for the production of electricity. In 2007, the Cypriot government set up the Natural Gas Public Company (hereinafter - "**DEFA**"), which is exclusively responsible for the import, storage, marketing, transportation, supply and trade of natural gas in Cyprus, including management of the Cypriot natural gas distribution system. According to the regulations in Cyprus enacted in 2007 concerning the Cypriot natural gas market, this gas company has exclusivity to import and distribute natural gas in Cyprus. The Partnership, together with its partners in the Aphrodite Reservoir, is continuing to promote contacts and/or negotiations, at various stages, associated with exporting natural gas from the Aphrodite Reservoir to regional markets, including the Egyptian market, and possible connection to existing infrastructure in the Mediterranean Basin for the supply of natural gas for treatment and liquefaction, in one of the existing liquefaction facilities.

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

(i) <u>The natural gas market in Morrocco</u>

According to various announcements, natural gas production in Morocco is currently approx. 0.1 BCM per year. In general, Morocco has gas reserves of approx. 1.2 TCF from 3 different onshore and offshore ventures, which are operated by international oil and gas companies. Electricity production in Morocco is presently based mostly on coal (approx. 68%) and only approx. 9% on natural gas. However, Morocco strives to reduce greenhouse gases, inter alia, by replacing coal with natural gas. As at the report approval date, the local demand for natural gas in Morocco is approx. 1 BCM per year, most of which (approx. 90%) was previously supplied by importing gas from Algeria through the GME pipeline. On November 1, 2021, piping of gas in the GME pipelines was discontinued due to expiration of the supply agreement between the countries, and to the best of the Partnership's knowledge, due to the increasing political tension between Morocco and Algeria, no new agreement is expected to be signed. As a result, Morocco has started importing natural gas though Spain, which reaches Spain as LNG, is gasified there and transmitted in the GME pipeline to Morocco, and according to media announcements, Morocco is expected to import LNG in this way in volumes of approx. 1.7 BCM, 1.1 BCM and 3.1 BCM in 2025, 2030 and 2040, respectively. It should be noted that as at the report approval date, Morocco does not have any LNG production or gasifaction facilities. Furthermore, to the best of the Partnership's knowledge, Morocco currently has approx. 4 power plants with natural gas-based electricity production capacity, in a manner that may create demand of up to approx. 150 MMCFD and the construction of more power plants is planned, which are expected to enable the natural gas-based electricity production capacity to be increased.

It is clarified that to date, exploration in Morocco has not led to any significant oil or gas discoveries, despite substantial operations by various companies, such as Eni, Shell, BP, Chevron, Total, Kosmos and Repsol, that hold onshore and offshore licenses. Presently, insignificant volumes of onshore and offshore exploration operations are currently carried out in Morocco. This includes the Anchois project located in the north of Morocco's EEZ.in the Atlantic Ocean, which is the presently the main natural gas project in Morocco. In July 2022, the operator of the Anchois project, Chariot Limited (hereinafter - “**Chariot**”) announced that there are 637 BCF contingent resources and 754 BCF prospective resources in the project. Chariot also announced that the field will be developed at the connection to an onshore treatment facility and a FID for development of the field is expected to be made in the first half of 2023. Chariot also announced that it will expand its exploration operations in the area of the licenses surrounding the Anchois project and that the total prospective resources in its licenses is approx. 4.5 TCF. Note that in December 2023, Energean announced that it signed an agreement to go into Chariot’s offshore licenses as the operator.

(j) In December 2020, a normalization agreement was signed between Israel and Morocco in which, among other things, Israel and the United States recognized Morocco's sovereignty in Western Sahara. For information about the agreements signed by the Partnership in connection with oil and/or natural gas exploration and production in the Boujdour license in Morocco, see Section 1.7.8 above. As at the report approval date, and to the best of the Partnership’s knowledge, on September 24, 2021, Ratio Petroleum Energy - Limited Partnership signed an agreement for a reconnaissance license known as Dakhla Atlantique.

(k) **Liquefied natural gas (LNG)**

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

Over 2023, the Leviathan Partners continued to explore the possibility of constructing their own FLNG facility at sea, that shall be used to produce and store LNG. The FLNG facility construction costs are affected by a wide range of factors beyond the Partnership’s control and that change from time to time, among other things, because of the supply and demand levels in the global market. As indications were received of a material change in the estimated construction costs of an FLNG facility, in 2024, the Leviathan partners intend to examine additional options for constructing an FLNG facility, among other things, noting the possibility of a modular expansion of the Leviathan Project.

1.7.15 **Order backlog**

(a) Below is information about the order backlog attributed to the Company's rights, as at the report approval date, calculated on the basis of the minimum gas quantities (according to the take or pay quantity) set out in the agreements on a firm basis in which all the preconditions were fulfilled, for the supply of natural gas and condensate from the Leviathan project, for which the customers have a take or pay commitment, and quantities actually consumed in January-February 2024 were also taken into account under the spot and interruptible agreements. Calculation of the order backlog was based on the following main assumptions: (1) all the options offered to customers in Israel to reduce the contractual quantity will be exercised; (2) possible decrease of take or pay quantities for exercising carryforward was not taken into account; (3) gas prices are based on discounts taken into account for the discounted cash flows in the Leviathan published by the Company; and (4) the minimum annual quantities in the Agreements for Export to Egypt will remain unchanged.

Period	Order backlog (in USD million) as at December 31, 2023 [41]
Q1 2024*	Approx. 112
Q2 2024*	Approx. 110
Q3 2024*	Approx. 110
Q4 2024*	Approx. 110
2025	Approx. 414
2026	Approx. 400
2027	Approx. 407
2028	Approx. 413
2029	Approx. 412
2030	Approx. 399
2031	Approx. 404
2032	Approx. 409
2033	Approx. 414

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

Forward-looking information: The Partnership's estimates concerning the date and total revenue expected from the order backlog is forward-looking information, as defined in Section 32A of the Israel Securities Law, based on the minimum gas quantities set out in the binding natural gas supply agreements from the Leviathan project and based on various assumptions regarding the quantities and prices of natural gas, regarding which there is no certainty that they will materialize, inter alia, due to the possible effect of any of the risk factors involved in the Partnership's operations, as set out in Section 1.7.30 below.

(b) It should be noted that the order backlog from the Leviathan project in 2023, as included in the Periodic Report for 2022, amounted to approx. USD 436 million. The actual revenue attributable to the Company's interests in the Leviathan project in 2023 amounted to approx. USD 600 million. The difference between the order backlog in 2023 and actual revenue in this period was mainly due to the fact that the actual quantities of gas supplied to customers exceeded the minimum gas quantities set out in the supply agreements.

1.7.16 **Competition**

(a) Natural gas discoveries in Israel

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

It should be noted that, as at the report approval date, all of the natural gas currently supplied to the Israeli market is from the Leviathan, Tamar, and Karish Reservoirs.

Production from the Karish Reservoir began in October 2022. According to Energean's report in January 2024, Energean produced 4.4 BCM of natural gas from the Karish Reservoir in 2023, and it estimates that the amount of natural gas produced in 2024 will range from 5.7 to 6.4 BCM. In addition, within a series of drillings Energean performed in several licenses it had been given following the Ministry of Energy's tenders, several natural gas discoveries were made, according to Energean's publications. On May 31, 2023, the Minister of Energy granted Energean an approval for the discovery of natural gas in Block 12, in several reservoirs collectively known as the "Katlan" field, to which approx. 31 BCM of natural gas reserves are attributed according to the publication, and that is located in the range between the Karish and Tanin Reservoirs. Note that according to the provisions of the Gas Framework, the Tanin and Karish Reservoirs, which are owned by Energean, are intended exclusively for the supply of gas to the local market, but this limitation does not apply to new discoveries outside the Tanin

[41] As at the report approval date, there was no material change in the order backlog, even though the order backlog does not include quantities under agreements signed as from January 1, 2024 up to the report approval date.

and Karish leases. Notwithstanding the foregoing, to the best of the Partnership's knowledge, Energean is seeking to obtain a permit for the export of natural gas from the North Karish Reservoir, but that permit has not yet been approved.

According to the Tamar Partners' reports, as published by the report approval date, the Tamar Partners made a final investment decision (FID) in a development project to expand the production capacity from the Tamar Reservoir to approx. 16 BCM, starting in 2027. Completion of expansion operations may affect aspects of competition, in both the local and export markets.

The Tamar Partners and Blue Ocean signed natural gas export agreements on a firm basis at a total scope of approx. 25 BCM (approx. 200 MMCF per day, or approx. 2 BCM per year) until December 31, 2034, or until the full contractual quantity is supplied (hereinafter, in this section - the "**Original Agreement**"). The Tamar Partners started to supply gas under the Original Agreement in July 2020. On February 16, 2024, the Tamar Partners reported their entry into the amendment to the Original Agreement, according to which the Tamar Partners warranted to provide Blue Ocean with a total contractual gas quantity of approx. 43 BCM, which exceeds the amount stipulated in the Original Agreement, until the end of the Original Agreement period. The annual quantity that the Tamar Partners committed to provide to the buyer is approx. 4 BCM (the daily quantity varies over the year, and ranges from 350 to 450 MMCF), in addition to the contractual quantity stipulated in the Original Agreement. The amendment to the Original Agreement was made contingent on various conditions that are expected to be fulfilled by July 1, 2025 (except in the case of a delay due to a force majeure).

The Tamar partners signed an agreement for separate marketing of natural gas, which came into effect in May 2021. To the best of the Partnership's knowledge, as at the report approval date, no separate agreements for gas sales have been signed by any of the Tamar partners. It should be noted that implementation of the agreement by the Tamar partners may increase competition. In addition, as at the report approval date, the Leviathan partners market the gas produced from the Reservoir jointly, and no arrangements have been made for separate marketing of the gas. Under the joint operating agreement in the Leviathan project, each partner is entitled, under certain conditions, to market their share of the gas separately. Arrangements for separate marketing of the gas produced in the Leviathan project may intensify competition.

(b) <u>Oil and gas exploration in Israel in recent years</u>

On November 15, 2016, the Ministry of Energy opened Israel's exclusive economic zone for oil and natural gas explorations. In the first tender, 5 exploration licenses were granted to Energean, and another was granted to an Indian consortium that waived it. In addition, Energean waived one of its licenses. In a second tender, on November 4, 2018, 12 licenses were granted and were relinquished without drilling. The Partnership and Chevron were barred from participating in the first two tenders.

On June 23, 2020, the Ministry of Energy published a third tender for a single license in Block 72, which extends over large parts of the Alon D license, which, until it expired, was owned by Chevron and the Partnership. As at the report approval date, the Ministry of Energy's decision regarding the winner of the third competitive process has not yet been granted.

On December 13, 2022, the Ministry of Energy announced the launch of a new tender for gas and oil explorations in Israel's exclusive economic zone, within which 4 clusters of exploration licenses were offered. On July 16, 2023, the Partnership submitted a bid within the fourth tender, as said above, along with the international companies BP and SOCAR (that was proposed as the operator), and on October 29, 2023, the Petroleum Commissioner notified the Partnership, SOCAR, and BP that their bid had won in connection with the licenses in Cluster I. For more information about these licenses, see Section 1.7.9 above. In addition, as part of that tender, the Commissioner also announced that ENII East Med BV (as the operating company), Dana Petroleum (sns) Limited, and Ratio won the six licenses in the G Cluster. Note that the results of the tender for the remaining clusters, Cluster E and Cluster H, have not yet been announced.

In this context, it is noted that, to the best of the Company's knowledge, two petitions were filed with the High Court of Justice, among other things, against the Ministry of Energy, in connection with the fourth tender, in which the High Court of Justice was asked to find that the said tender would be canceled, suspended, or amended.

In early 2024, the Ministry of Energy announced its intention to publish another tender during the years 2024-2025. If drilling in the existing and/or new licenses areas leads to natural gas discoveries in significant quantities and if these discoveries (if any) are developed, these reservoirs will also serve as competition in the Partnership's area of activity.

(c) Import of LNG

Starting from January 2013 until December 2022, LNG will be imported to the local market through the offshore platform and the LNG regasification vessel off the coast of Hadera, which received an LNG regasification vessel with a capacity of up to approx. 0.5 BCF/d. According to the Ministry of Energy's publication, once the three natural gas reservoirs, Leviathan, Tamar, and Karish, were connected, it was decided at the end of 2022 that it is no longer profitable to continue with the regular engagement with the regasification vessel and there is no longer a need to continue to operate it as a backup for the Israeli market in cases of a natural gas shortage.

(d) Coal and other alternative energy products

Coal and other alternative energy products also constitute competition for the natural gas suppliers. With respect to gas consumption by IEC, the natural gas suppliers compete with the use of coal for the production of electricity; therefore, the level of consumption and price of natural gas may be affected by the price of coal worldwide and the tax policy thereof in Israel. For information about the government of Israel's decision to reduce the use of coal, see Section 1.7.12(j)(1) below.

The natural gas supplied by the Partnership to industrial customers replaces the use of liquid fuels, such as diesel fuel and fuel oil. The price of liquid fuels is usually higher than the price of the natural gas supplied by the Partnership, but despite being pollutants, the downtrend of oil prices worldwide may make these fuels competitive compared to the natural gas supplied to these consumers. However, it should be noted that the Ministry of Environmental Protection institutes policy designed to ensure that plants with connection infrastructure that enables using natural gas refrain from using polluting liquid fuels. It is also expected that hydrogen will be gradually introduced into the mix of energy sources, which can be used in electricity generation, transportation, and heavy industry (such as concrete, steel, and chemicals). It should be noted there are various methods for hydrogen production, some of which are pollutive, such as natural gas reforming (grey hydrogen), and some of which are clean, such as blue hydrogen and green hydrogen. As part of the growing trend in the global energy market to minimize greenhouse gas emissions in general, and carbon dioxide emissions in particular, hydrogen itself has no carbon footprint and its use to produce energy does not emit greenhouse gases, hence its advantage. To the best of the Partnership's knowledge, as at the report approval date, the main hydrogen producer in Israel is Bazan, which produces grey hydrogen. However, several companies in Israel, including renewable energy and technology companies are assessing hydrogen production using various methods, and some of those companies are even in advanced development stages.

According to Ministry of Energy publications, the Natural Gas Authority is examining the various implications of the developments in the hydrogen market worldwide and in Israel, and their consequences for the natural gas sector, and is promoting the formulation of regulation, standards, and safety rules for the future integration of hydrogen into the natural gas infrastructure. In addition, the Natural Gas Authority ordered INGL to promote an examination of going into the low-emission hydrogen transmission segment, while at the same time, it is promoting the issuance of a permit for INGL to transmit hydrogen as part of a planned pilot in the Yotvata area, for the production, transmission, and use of green hydrogen generated from solar energy.

On December 3, 2023, the Ministry of Energy published an worldwide request for information on hydrogen valleys, in order to formulate an outline for the establishment of a "hydrogen valley" in Israel, including information about the characterization and the proposed geographic location, production technologies, transportation, and the end consumers' use, according to the hydrogen value chain and the regulatory and economic aspects of establishing the hydrogen valley. Further to that, on January 3, 2024, INGL published a "call for proposals" to examine collaborations in connection with the establishment of hydrogen valleys in Israel. The Partnership intends to explore potential collaborations in connection with these initiatives.

(e) Renewable energy sources

Similar to other developed countries, the government of Israeli has adopted a policy to advance a low-carbon economy, and significant incentives are provided for development of renewable energy sources, such as solar and wind, which compete with the natural gas sold by the Partnership for electricity generation.

According to a February 2024 review report published by the Knesset Research and Information Center, in 2023, electricity generation in Israel was distributed between renewable energies – 11.5%; coal – 17.2%; natural gas – 70.8%; and other fuels – 0.5%. According to a July 2023 review report published by the Ministry of Energy, electricity generation from renewable energy facilities in 2022 totaled approx. 7,061 MWH and comprised about 10.1% of the total electricity consumption in that year, and it was distributed between photovoltaic facilities – approx. 83%; thermoelectric facilities – approx. 11%; wind facilities – approx. 4%; and biogas, hydro, biomass, and landfill facilities – approx. 2%. The electricity generated at these facilities in 2022 comprised approx. 10.1% of the total electricity consumed in that year. According to the report, the installed generation capacity, as it was at the end of 2022, will have to be multiplied by 3.5 to meet the goal the Ministry of Energy has set for 2030, according to which 30% of the electricity generation in the market will come from renewable energies.

(f) Natural gas discoveries and exploration in neighboring countries

Natural gas discoveries in neighboring countries and exploration that will lead to discoveries of new reservoirs, if developed, may also be competition for the Leviathan Reservoir. The Partnership monitors the exploration activity and development and production trends in countries in the region, including Egypt, Cyprus, Lebanon and Jordan. Below is information about discoveries and exploration in Israel's neighboring countries:[42]

(1) Egypt

A. Resources: reserves amounting to approx. 28 TCF and contingent resources amounting to approx. 11 TCF.

B. Current gas production capacity: The capacity enables approx. approx. 72 BCM, but the reservoirs' natural decline lowers the production capacity to approx. 60 BCM.

C. Domestic demand: The total domestic demand in 2023 amounted to approx. 63 BCM. For information about the scope of the Egyptian domestic market demand in 2022 and 2023 and the domestic demand forecasts in Egypt in the coming years, see Section 1.7.14(d) above.

D. Key facilities: In Egypt, there are two LNG facilities: (a) The ELNG facility located in Idku, which is owned mainly by Shell and has an estimated production capacity of approx. 7.2 million tons LNG per year; and (b) the SEGAS facility located in Damietta, which is owned mainly by Eni and has an estimated production capacity of approx. 5 million tons LNG per year. For further information about the LNG market in Egypt, see Section 1.7.14(d) above.

E. Production: natural gas production in Egypt in 2023 amounted to approx. 59 BCM, of which approx.70% of the gas was produced from reservoirs in the Mediterranean Sea. Concurrently, the most prominent reservoir is the Zohr Reservoir, which constitutes approx. 35%-40% of the total domestic gas production in Egypt. In 2023, production from the Zohr Reservoir amounted to approx. 20 BCM (approx. 2 BCF per day), which constitutes 63% of the reservoir's maximum production capacity. To the best of the Company's knowledge, based on media reports, the Zohr Reservoir is in decline and is not expected to return to production rates in 2020 to 2022 (up to approx. 3.2 BCF per day).

F. Exploration operations: In recent years, Egypt has offered exploration licenses on a large scale, among other things, under tenders. Most of the licenses in the Mediterranean Sea region were granted to the major companies in the industry, including Shell, Chevron, BP, Eni, ExxonMobil, and TotalEnergies. According to media reports, these companies are planning diverse exploration operations in the Mediterranean Basin. On January 15, 2023, Chevron announced that it had discovered a significant quantity of gas in the Nargis-1 well, which, according to media reports, contains approx. 3.5 TCF. In addition, according to media reports, in November 2023, Eni started to drill Orion-1. As of the report approval date, the results of

[42] The reader of the report should take into account that the information in this section, which is taken from public reports of providers of information and data received from external consulting companies, in full or in part, is information that the Company is unable to check or verify independently.

this drilling have not yet been published. Besides these drillings, in 2023, several exploratory drillings took place, including Eni's Thuraya-1 and Shell's Oud-1, and according to media reports, they were found to be dry.

G. Import/export balance: Since the start of production from the Zohr Reservoir in 2017, the quantities of gas produced in the country have been exceeding local demand. However, in May 2023, Egypt once again became a gas importer. According to the forecasts, local demand is expected to exceed the local production capacity, partly because of population growth, on the one hand, and a decrease in production capacity, on the other. Moreover, in order to feed the liquefaction facilities through which Egypt wishes to export natural gas, further quantity of natural gas of up to approx. 19 BCM is required. Insofar as no other major discoveries are found in its territory, Egypt will struggle to become a major gas exporter again.

(2) Cyprus

A. Resources: Other than the Aphrodite Reservoir, in 2018 and 2019 two significant discoveries were declared in the Cypriot exclusive economic zone (Glaucus and Calypso), which, according to publications by the companies operating them, are approx. 5-8 TCF in place each. As at the report approval date, the results of the appraisal drilling in the Glaucus discovery performed by ExxonMobil in 2023 have not been published and the appraisal drilling in the Calypso discovery has not yet been performed. In August 2022, Eni announced a significant gas discovery in the Cronos-1 well drilled in Block 6 in the EEZ of Cyprus, with an estimated approx. 2.5 TCF of gas in place and in December 2022, Eni announced another gas discovery in the Zeus-1 well drilled in Block 6 with an estimated approx. 2-3 TCF of gas in place. In February 2024, Eni announced a successful appraisal drilling in the Kronos Reservoir, and according to media reports, Eni is expected to launch the process of developing the reservoir based on the Zohr Field infrastructure in Egypt, and thereby, piping the gas from Kronos to Egypt. To the best of the Partnership's knowledge, the development of these discoveries may be based on export to Egypt, which may affect the Partnership's operations in Cyprus and/or Egypt.

B. Current gas production capacity: None.

C. Domestic demand: As of the report approval date, Cyprus does not consume any natural gas. For further information about the Cypriot market, see Section 1.7.14(h) above.

D. Key facilities: None. In January 2023, construction work of a regasification facility (FSRU) for the import of LNG commenced in Vasilikos in Southern Cyprus by a consortium led by China Petroleum Pipeline Engineering Co. Accordingly, construction of the facility is expected to be completed by the beginning of 2024.

E. Production: None.

F. Exploration operations: Cyprus granted licenses covering most of its maritime zone to the major companies in the industry, including Eni, TotalEnergies, and ExxonMobil. In 2023, these three companies carried out exploration operations, including conducting seismic surveys and exploration and appraisal drillings, a trend which is expected to continue in 2024. It is noted that the dispute between Cyprus and Turkey concerning the rights in Cyprus's exclusive economic zone is causing significant delays in planning operations in the licenses located in the disputed areas. In addition, according to foreign media reports, the Turkish Petroleum Company has performed exploration in the past, including drilling in the EEZ of Cyprus.

G. Import/export balance: As of the report approval date, the construction of the FSRU facility for LNG import is expected to be completed between late 2024 and early 2025. Regarding future exports, in the absence of relevant regulation in Cyprus regarding natural gas export facilities, it is difficult to estimate how the current discoveries and additional discoveries, if any, could affect the manner in which gas will be exported from Cyprus and the competition, if at all, and should it develop, with respect to the local market and access to export infrastructure.

(3) Lebanon

A. Resources: Not yet discovered.

B. Current gas production capacity: None.

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

D. Key facilities: None. In January 2023, construction work of a regasification facility (FSRU) for the import of LNG commenced in Vasilikos in Southern Cyprus by a consortium led by China Petroleum Pipeline Engineering Co. According to foreign media reports, although the FSRU facility is already ready to be transported to Cyprus, the gas infrastructure is not installed, and therefore, it is doubtful that the FSRU facility's operations will commence in 2024.

E. Production: None.

F. Exploration operations: As of the report approval date, Lebanon granted only two licenses to a consortium headed by TotalEnergies, which includes Eni and QatarEnergies. Exploratory drillings have been carried out in recent years in each of the two aforementioned licenses, and they were found to be dry. The most recent exploration drilling, according to media reports, was drilled in Block 9, that borders Israel's exclusive economic zone, which was drilled in 2023 and did not end with the announcement of a discovery. The remaining areas in Lebanon's exclusive economic zone are now offered within the Lebanese government's third tender. For further information about the maritime agreement signed between the governments of Israel and Lebanon, see Section 1.7.10(c) above.

G. Import/export balance: As at the report approval date, Lebanon is based on fuels import only; the country is under an energy crisis, since there is no active agreement for such gas import. According to media reports, Lebanon has finalized with Egypt the import of gas to the Deir Ammar power plant, in an estimated volume of approx. 60 MMCFD. However, to the best of the Company's knowledge, such an export never occurred.

(4) Jordan

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

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

C. Domestic demand: The domestic demand in Jordan amounts to approx. 3.8-4.2 BCM and is affected by the demand for electricity and electricity generation using alternatives to gas, including renewable energy and oil distillates. Natural gas constitutes approx. 80% of the total sources for electricity generation of the Jordanian electricity company NEPCO.

D. Main facilities: In the Gulf of Aqaba, there is a facility for LNG imports, FSRU Golar Eskimo, which is leased until 2025. In 2020, Jordan imported 0.8 million tons LNG and in 2021, it did not import any LNG at all.

E. Production: The Risha gas field is the only producing gas field. Furthermore, wells are planned for the purpose of increasing the production rate from this field to approx. 0.2 BCM during the coming 4 years.

F. Exploration: In April 2021, Jordan announced an exploration tender in which approx. 9 different blocks were offered. Although the names of the winners of the tender have not yet been announced, Jordan's National Petroleum Company (NPC) reported that exploration drilling is expected to begin in one of these blocks; it should be noted that to the best of the Partnership's knowledge, there is no substantial exploration activity in Jordan.

G. Import/export balance: Jordan relies on the import of natural gas and energy, mainly from Israel and a small quantity from Egypt. For further information about the natural gas market in Jordan, see Section 1.7.14(c) above.

1.7.17 **Seasonality**

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

(b) Following is a breakdown of natural gas sales (100%) from the Leviathan project in the last two years:[43]

---

[43] The figures refer to total natural gas sales of all Leviathan partners, rounded to the nearest tenth of a BCM.

Period	Q1 (In BCM)	Q2 (In BCM)	Q3 (In BCM)	Q4 (In BCM)
2022	2.7	2.8	3.0	2.9
2023	2.8	2.5	2.9	2.8

1.7.18 **Facilities and production capacity in the Leviathan project**

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

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

(1) Producing Wells: As of the report approval date, the Leviathan Project's production function consists of 5 subsea producing wells that are intended to produce up to approx. 400 MMCF per day, each, including the Leviathan-8 producing well, which was connected to the production system in June 2023. Natural gas and condensate from the Leviathan Reservoir, which is at a depth of approx. 3 km below the seabed, is transmitted from the producing wells to the subsea production system.

(2) Subsea production system: connects the producing wells to the production platform and is on the seabed. The subsea system has 14-inch infield pipelines which deliver natural gas, condensate and related liquids from any well to the subsea manifold. Two pipelines with an 18-inch diameter extend from the manifold, as well as a third pipeline with a 20-inch diameter (under construction), which are approx. 120 km long, and they conduct gas, condensate, and related liquids to the field production platform. The subsea system also has two 6-inch pipes of 120 km each to deliver MEG from the production platform to the wells. In addition, a 120-km umbilical control and command cable connects the production platform to the wells and the manifold for control, command, and monitoring of the natural gas production system on the seabed.

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

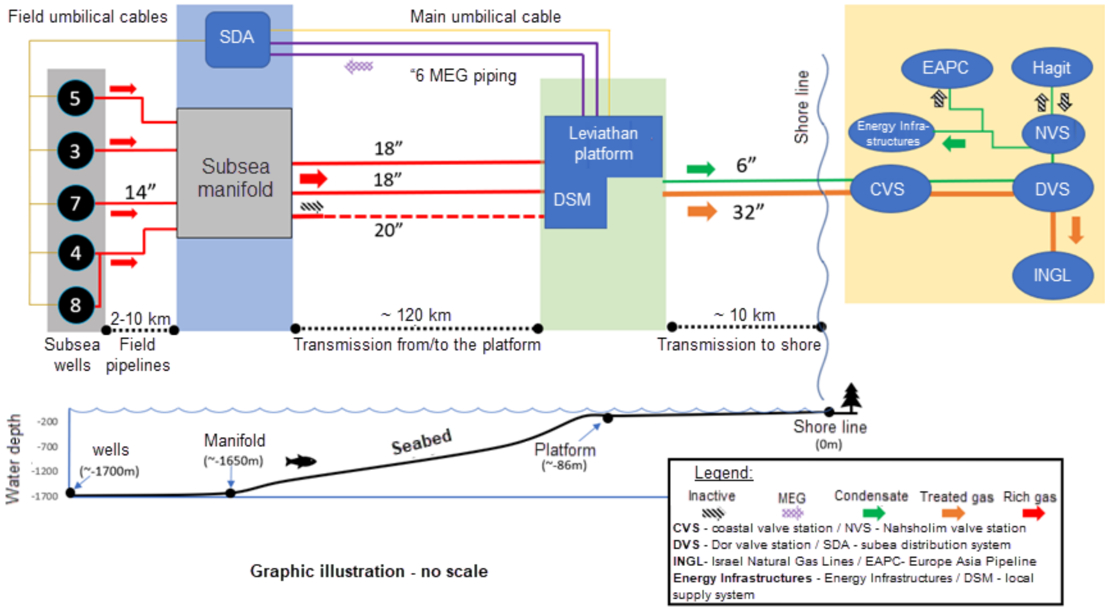
(4) Transmission system to the shore: The pipeline from the Leviathan platform to the shore comprises a 32-inch pipe to transmit natural gas[44] and a 6-inch pipe to transmit condensate. These pipes run below the shoreline, reach the coastal valve station, and from there, to the Dor valve station, which is located near the INGL valve station, to which the natural gas is transferred. The condensate pipeline connects to the EAPC and the Energy Infrastructures oil lines and to the Hagit site at the Nahsholim Valve Station.

(5) The Hagit site: The Hagit site contains a temporary condensate storage tank that consists of the pipelines, fittings, equipment, and pumps, as well as the command, control, and operation system, a tanker filling facility, auxiliary facilities, and services, as required to operate the site safely. The condensate arrives at the Hagit site through a 6-inch pipeline, as said above, and as it is impossible to immediately pipe the condensate to the Leviathan project's customers, and in order to enable the continued regular production of natural gas, the site is designed to enable the piping and temporary storage of the condensate at the Hagit site; when it becomes possible, the condensate will be piped to the Partnership's customers, or, if necessary, removed from the Hagit to the customers via tankers. As of the report approval date, condensate cannot be stored at the Hagit site because of weather damage to the storage tank.

44 For information about the license for construction and operation of a pipeline, see Section 1.7.20(l) below.

Subsequently, the operator is working to assess and repair the damage, and according to its estimates, in light of the available alternatives and absent the ability to pipe to the ORA, the above is unlikely to affect the Leviathan Project's activity. For details about the agreements with condensate customers, see Sections 1.7.12(a)(2) and 1.7.13D(4) above.

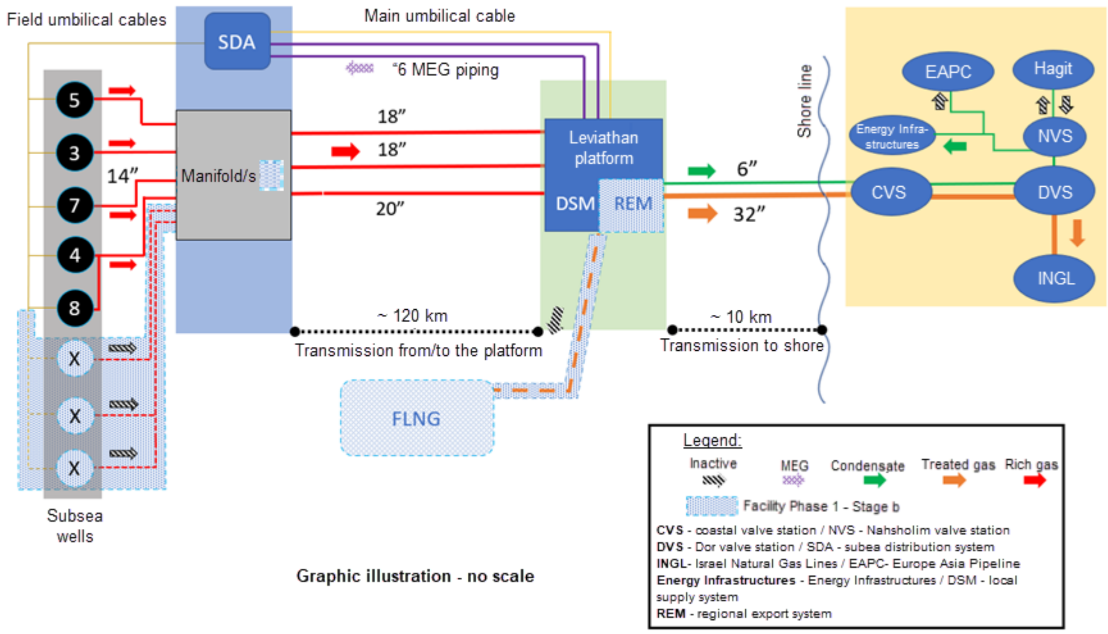
<u>Leviathan project Phase 1 - Stage a - schematic illustration</u>



(b) <u>Phase 1 - Second Stage of the development plan of the Leviathan Project</u>

Phase 1 - Second Stage of the approved development plan is intended to increase the daily production capacity of the Leviathan project to approx. 2.1 BCF, and under some operating conditions - even further. The facilities planned in this context (as an addition to Phase 1 - First Stage) include another 3 producing wells with a production capacity of up to approx. 400 MMCF per day each, to be connected to the platform through a subsea pipeline and equipment, most of which is used by the existing production system. According to the plan, a treatment system known as a "Regional Export Module" (REM) that mostly consists of additional functions to treat gas will be added to the platform. It should be noted that there may be updates to Phase 1 - Second Stage of the approved development plan, as set out above, which may require regulatory approval, including the fourth pipeline and FLNG facility, if built.

Leviathan project Phase 1 - Stages a and b - schematic illustration



1.7.19 **Raw material and suppliers**

In general, agreements with suppliers and professional contractors are carried out by the operator in the projects. It should be noted that at present, no Israeli companies are capable of performing the main operations in projects, such as deep-water drilling, production and installation of subsea infrastructure, and production and construction of offshore facilities such as treatment and production platforms. Therefore, a significant part of the development and infrastructure works in the projects in which the Partnership is a partner are performed through international suppliers, with direct communication with the operator on behalf of the project partners. However, it should be noted that the international suppliers are instructed to integrate local services and consultants into their operations, to the extent possible. It should be emphasized that this practice in which services are imported from different countries for the construction and operation of the projects, is standard in the oil and gas industry, even when the project is in a country with high capabilities in the field, such as the United States or the UK. As such, specialized equipment and materials, such as cranes and drilling rigs, pipes, and cement, are chartered or purchased and are transported from across the globe according to availability, type of work, and the requirements of each project. Accordingly, the costs of the equipment and material depend on global supply chains, and are sensitive, among other things, to the volatility of crude oil prices and to current and projected demand for natural gas.

1.7.20 **Human resources**

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

On September 21, 2022, the general meeting of unit holders authorized an arrangement for the Partnership's management expenses, according to which, starting on January 1, 2022, the Partnership bears all management expenses of the Partnership and the General Partner, including the cost of retaining the Acting Chairman of the Board of Directors, the CEO, and all the Partnership's other officers and employees, except for the wages paid to the directors appointed by the Delek Group, the controlling shareholder in the Partnership.

As at December 31, 2022 and December 31, 2023, the following employees were engaged in the Partnership:

Department	No. of employee at December 31, 2022	No. of employee at December 31, 2023
Management and headquarters	17 (7 of whom are officers)	16 (8 of whom are officers)
Professional	7 (2 of whom are officers)	7 (2 of whom are officers)
Total	24	23

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

1.7.21 **Working capital**

The Partnership's working capital is composed, in terms of assets, primarily of cash balances, short term investments and deposits, various receivable balances, and accounts and trade receivables from joint ventures, and in terms of liabilities, primarily from accounts payable from joint ventures, undistributed declared profits and short-term liabilities for decommissioning of oil and gas assets.

1.7.22 **Financing**

(a) **General**

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

(b) Debentures of Leviathan Bond Ltd. (hereinafter - "**Leviathan Bond**")

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

(1) Debentures at a total p.v. of USD 500 million, that were repaid by June 30, 2023, and yielded a fixed annual 5.75% interest.

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

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

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

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

The foregoing subsidiary provided the issue proceeds as a loan to the Partnership, under back-to-back terms as the terms of the debentures. As at December 31, 2023, the balance of the loan (net of raising costs) amounted to approx. USD 1,74 billion.

On May 1, 2023, a partial prepayment was made of the first series of debentures, whose original due date was June 30, 2023 under the terms of the debentures, in the amount of USD 280 million (out of a total of the series of USD 500 million), and on June 30, 2023, the balance of the first series of debentures was repaid in full and on the due date, in accordance with the terms of the debentures.

On January 22, 2023, the Board of Directors of the Partnership's General Partner's approved a plan to purchase the debentures, at a cumulative cost of up to USD 100 million, for a period of two years (hereinafter - the "**Purchase Plan**"). On November 15, 2023, the general partner's board of directors approved continuing to buy back according to the Acquisition Plan from the debenture series that is due to be repaid on June 30, 2025 and/or June 30, 2027. Up to the report approval date, the Partnership made buybacks in accordance with the Purchase Plan amounting to a total of approx. USD 7.7 million.

(c) **Credit facility**

The Partnership has a credit facility from an Israeli bank that is intended to be used for its operating activities. According to the terms of the credit facility, the Partnership will be able, in the period from March 14, 2024, and until March 7, 2025, to periodically withdraw loans in USD, up to a total of USD 100 million, for a period up to the earliest of the final repayment date the Partnership will request in the notice of its intention to borrow the loan, and April 15, 2026 (hereinafter - the "**Credit Facility**"). As at the report approval date, the Partnership has not withdrawn any amount from the Credit Facility.

The Credit Facility establishes financial covenants for the Partnership, noncompliance of which gives the lender the right to immediate repayment, as set out below:

(a) The ratio between the value of the Partnership's assets and the net financial debt will not fall below 1.5 on two consecutive test dates, with quarterly testing of the covenants based on the Partnership's annual or quarterly consolidated financial statements or half-year statements if the Partnership only prepares half-year statements.

(b) The ratio between the excess sources and the amount of the Credit Facility will not fall below 1 and for the purpose of this calculation, an amount equal to the balance of the Credit Facility that has not yet been withdrawn at that time will be added to the sources, and will be considered as part of the "retained earnings of the sources". The coverage ratio will be tested every six months according to the sources and uses report.

It is noted that, as of the report approval date, the Partnership complies with the aforementioned covenants.

(d) Loan - Delek Leviathan Overriding Royalty

In September 2023, Delek Leviathan Overriding Royalty, a subsidiary (indirectly wholly owned) of the Company, signed a financing agreement with a consortium of foreign and Israeli banks for a loan of USD 215 million in return for pledging the overriding royalties from Leviathan and associated royalty rights (hereinafter - the "**Loan**"), which was used by Delek Leviathan Overriding Royalty to exercise full early repayment of debentures issued by it in 2020 to foreign and Israeli qualified investors, at a total amount of USD 180 million (for details regarding said debentures, see Section 1.7.17(b) to the Company's 2022 Periodic Report). The loan is not a material loan as defined in the ISA's Position, but is a "loan with a material cross default condition" as defined in the ISA Position, and calling it for immediate repayment, including in case of breach of a financial covenant thereunder, will be cause for calling for immediate redemption of the Company's debentures. According to the ISA Position, below is information on the financial covenants set out in this Loan:

Financial covenant (breach of which is a "material cross default condition")	Amount of the loans, as at December 31, 2023 and until shortly before the Report approval date, for which cause for immediate repayment will arise for non-compliance with the financial covenant	Calculation of the covenant as of December 31, 2023	Calculation of the covenant close to the report approval date
The LTV ratio[45] will not exceed 75%. The Company will have 15 business days from delivery to the lenders of a certificate of compliance with the financial covenant (the certificate is delivered together with the financial statements that are required to be delivered according to the loan agreement and on the same dates) to remedy the breach by voluntary early repayment or cash deposit, prior to the loan being called for early repayment.	USD 215 million	The LTV ratio is approx. 60%	The LTV ratio is approx. 60%

1.7.23 **Taxation**

(a) For further information regarding taxation applicable to the Group's profits (hereinafter in this section - the "**Companies**") that were generated in Israel, see Note 28 to the Consolidated Financial Statements.

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

(c) On August 3, 2021, the Knesset Finance Committee approved an amendment to the Income Tax Regulations (Rules for Calculation of Tax on the Holding and Sale of participation units in an Oil Exploration Partnership), 1988 (hereinafter - the "**Income Tax Regulations**"), according to which, as from the 2022 tax year, the tax regime applicable to the Partnership will be amended, such that it will be taxed as a company. Following this amendment, as from the 2022 tax year, the holders of participation units in the Partnership are taxed for the profit distribution by the Partnership, in the same way as the tax regime applicable to shareholders in the Company for distribution of dividends (i.e. - the two-stage method).

[45] The ratio between the outstanding balance of the debt (plus/minus the market value of hedges permitted in the financing agreement, if any) less the cash deposited in the pledged accounts beyond the balance required for the interest cushion. and the discounted cashflow of overriding royalties from the Leviathan project at a discount rate of 10%, based on the quantity of reserves classified as proved and probable (2P) under the last reserves report published.

(d) Gas and Petroleum Profits Levy

The Taxation of Profits from Natural Resources Law Report passed by the Knesset in April 2011 sets out, among other things, provisions applicable to the Partnership and the Company regarding the obligation to pay Gas and Petroleum Profits Levy according to an R-Factor mechanism. For information about the levy and the calculation mechanism thereof, see Note 28H to the Financial Statements (Chapter C of this Report).

1.7.24 **Environmental risks and mitigation thereof**

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

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

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

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

(3) On September 12, 2023, the Ministerial Committee for Legislation passed the Climate Bill, 2023 (hereinafter - "**Climate Bill**") prior to the first reading in the Knesset. On September 22, 2023, Government Resolution No. 927 was adopted as part of passing by the government of the Climate Bill, subject to certain amendments. The Climate Bill sets the national target for the reduction of greenhouse gas emissions for 2030 to 27%, so as to reach 73% of the quantity of greenhouse gas emissions measured in 2015 (the baseline year). As of the report approval date, it cannot be estimated when the draft climate law legislative processes will be promoted, if ever, and what changes will be made to it.

(4) The Economic Arrangements Law for 2024 contains a proposal to impose a carbon tax on fossil fuels used to generate electricity and for industry, as well as on landfilling. According to the published outline, a tax will be gradually imposed on coal, natural gas, fuel oil, LPG, and petcoke, starting in 2025, to encourage the transition to alternative energy sources. The published outline is general, so the subject is still uncertain. However, the general outline was authorized by the government, and its approval process is currently underway. Note that imposing the carbon tax depends on the government ministries publishing a budgetary support procedure for plants that consume fuels (otherwise, the Minister will suspend the tax's imposition). The Partnership estimates that the carbon tax will not have a material effect on its operations, insofar as it is approved in the proposed format.

(5) On May 2, 2023, a policy paper on decommissioning offshore oil and natural gas exploration and production infrastructures was published (a policy set by the Ministry of Environmental Protection and the Ministry of Energy). Chevron submitted a position about that paper, as part of the public comments process.

(6) On March 27, 2023, the Bill for Streamlining Environmental Licensing Procedures (Legislative Amendments), 2022 was approved by the Knesset in the first reading, the purpose of which is to improve and streamline existing licensing systems both from a regulatory aspect and in terms of the environment, through comprehensive reform based on adjustment to the customary European Union standards. Under the bill, the licensing arrangement will be amended in existing environment legislation in a way that standardizes licensing procedures, to the extent possible, based on the principles of EU regulation, such that a standard environmental permit will be granted to operations with a potential to cause significant environmental impact. As of the report approval date, the bill, that was split and combined with another bill on April 2, 2023, is currently being prepared for the second and third readings.

(7) On April 14, 2022, the Ministry of Environmental Protection published the Bill for Preparedness and Response to Incidents of Oil Pollution of the Sea and the Coastal Environment, 2022, which aims to implement the International Convention on Oil Pollution Preparedness, Response and Cooperation of 1990 in Israel. According to that bill, all entities whose territory contains a coastal strip or that operate offshore, or that are responsible for a coastal strip or offshore operations, including owners of oil and natural gas exploration and production facilities, must be prepared for incidents of oil pollution in the sea and the coastal environment. The bill includes the manner in which such incidents will be regulated on several plains: preparedness – drawing up emergency plans, securing equipment, and drills. These entities must draw up plans for handling incidents and prepare to act according to these plans if such incidents occur; response to the incident – mitigating the damage in general and the environmental damage in particular; cleaning and rehabilitation – cleaning up what has been polluted, restoring the original situation, and removing the waste.

(8) Apart from the regulation stipulated under Israeli law, additional provisions apply regarding environmental issues that are also stipulated under the terms of the leases and licenses issued to the Partnership and the various permits required to perform the exploration and production operations and to establish and operate the production systems for the projects in which the Partnership is a partner. During exploration, drilling and/or oil and natural gas production operations, the Partnership purchases independently and/or through the Operator, in accordance with the directives for providing collateral with respect to oil rights; for details, see Section 1.7.1(a)(1) below, damage insurance coverage for expenses of environmental cleanup, removal of debris and bodily injury and/or property damage to third parties caused by sudden accidental, unexpected and uncontrolled eruption of oil and/or natural gas. The Partnership does not take out insurance for damages caused due to non-accidental pollution or resulting from gradual and ongoing progression. In this context, it is noted that the Petroleum Regulations (Principles for Offshore Petroleum Exploration and Production), 2016 (which revoked the Regulations of 2006) were published, which include various provisions concerning offshore oil exploration and production, and among other things, conditions regarding the identity of the operator, including its experience in maintaining safety and environmental protection during its exploration and production operations.

(9) <u>Environmental guidelines for offshore exploration and production of oil and natural gas</u>

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

(10) In addition to the instructions of the Ministry of Energy and the Ministry of Environmental Protection, the Partnership's operations may be directly or indirectly subject to environmental

directives of other authorities, which may be given from time to time, on behalf of other governmental entities, including the Israel Lands Administration.

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

(d) Environmental related events

Based on information given to the Partnership by the Operator in the Leviathan Project, in 2022 there were no events or circumstances connected to the operations of the Partnership that caused environmental damage and that had a material effect on the Company and/or its operating sector. For further information on material legal or administrative proceedings relating to the environment, see Section 1.7.12(g) below.

(e) Environmental risk management policies

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

(2) In 2019, the Leviathan Project Operator received a business license, an air emissions permit, a waste discharge permit and a preliminary toxic materials permit for the Leviathan Rig, which are extended from time to time as required by law. As of the report approval date, the business license is valid until December 31, 2029, the air emissions permit until November 5, 2026, the permit for discharge into the sea until March 31, 2022, and the toxic materials permit until June 4, 2023. A business license and toxic materials permit were received for the Hagit field, which are extended in a similar manner.

(f) Environmental costs and investments

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

(g) Material legal or administrative proceedings on environmental issues

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

(1) Sanctions

On May 20, 2020, Chevron received notice from the Ministry of Environmental Protection of its intention to impose a monetary sanction, in an insignificant amount, for alleged violations of the Leviathan Project's emissions permit, the Clean Air Law, and the directive of the Emissions Permit Commissioner at the Ministry of Environmental Protection (hereinafter - the "**Commissioner**") issued in connection with the continuous monitoring systems on the Leviathan Rig. Chevron informed the Partnership that it had submitted a request to the Ministry of Environmental Protection for information under the Freedom of Information Law, 1998 (hereinafter - the "**Freedom of Information Law**"), that directly deals with the claims raised in the foregoing notice and that the Ministry of Environmental Protection approved a postponement of the date for submitting claims regarding this monetary sanction and fixed it for 30 days after receipt of the information. As at the date of approval of the Report, the requested information has not yet been received. Note that due to the long time that has passed since the process began, and as the Ministry of Environmental Protection's response to the freedom of information request has not yet been received, the process's completion is uncertain.

(2) Hearings

On August 6, 2023, Chevron received a warning letter and summons to a hearing before the Ministry of Environmental Protection for alleged violations of the Leviathan Project's discharge permit into the sea and toxic materials permit, and pursuant to the Sea Pollution Prevention Law and the Hazardous Materials Law. The hearing was held on January 7, 2024, and on January 21, 2024, a summary of the hearing was received, according to which, Chevron must take every action to prevent deviations from the discharge permit into the sea, and the Ministry of Environmental Protection is considering exercising its authorities as per the law.

At this stage, it cannot be estimated whether a financial sanction will be imposed due to the violations and the total amount of the financial sanction imposed, if any.

(3) To the best of the Company's knowledge, under the Impact on the Environment from Certain Plans and/or Programs Law (2005), (which was adapted to the EU directive), strategic environmental assessment is required with regard to government resolutions concerning activities or programs that may affect the environment. The holder of an exploration and production license in Cyprus must operate in accordance with the environmental assessment report drawn up for the Cyprus Ministry of Energy and conduct preliminary environmental surveys prior to performing such operations in the license area.

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

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

1.7.25 Restrictions on and supervision of the Company and/or the Partnership's operations in the area of activity

(a) The Gas Framework

On August 16, 2015, Government Resolution No. 476 was issued (which was adopted in the government resolution of May 22, 2016), regarding an outline plan for increasing the quantity of natural gas produced from the Tamar[46] natural gas field and swift development of the Leviathan, Karish, and Tanin gas fields and other gas fields (hereinafter in this section - the "**Government Resolution**"), that came into force on December 17, 2015 with an exemption granted from certain provisions of the Economic Competition Law to the Partnership, Avner, Ratio and Chevron (hereinafter in this section - the "**Parties**") by Prime Minister, in his then capacity as Minister of the Economy, pursuant to the provisions of Section 52 of the Economic

---

[46] Under Section 52 to the Anti-Trust Law, which was attached as Appendix A to the Framework, Tamar was defined as "a natural gas reservoir located in the area of the Tamar I/12 and Dalit I/13 leases and the rights held by the holders of the Tamar in the gas pipeline infrastructure and all its components and parts, including the rights of the holders of Tamar to use the onshore reception and processing facility, from the Tamar Reservoir to the National Pipeline network".

Competition Law, 1988[47] (hereinafter in this section - the "**Exemption**" or the "**Exemption Pursuant to the Economic Competition Law**"); the Exemption applies to certain restrictive arrangements which ostensibly may have been attributed to the Parties, as set out in the Government Resolution (hereinafter - the "**Restrictive Arrangements**"). The Government Resolution and the Exemption will be referred to hereinafter as the "**Gas Framework**".

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

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

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

B. The restrictive arrangement that may allegedly be created if the parties or some of them will jointly market the gas produced from the Leviathan Reservoir to the domestic market until January 1, 2030. [48]

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

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

E. With regard to their operations in the Tamar and Leviathan Reservoirs only, the Partnership, Avner and Chevron hold a monopoly as declared by the Competitions Commissioner.[49]

(2) The exemption from the restrictive arrangements listed above was conditioned on meeting certain conditions, including the transfer of all the Partnership's and Chevron's rights in the Tanin and Karish leases, the transfer of all the Partnership's rights in the Tamar Project, and the transfer of some of Chevron's rights (the rights exceeding 25%) in the Tamar Project, all of which were completed in accordance with the outline by December 2021.

(3) <u>Restrictions applicable to new agreements for the supply of natural gas</u>

The Gas Framework sets out certain restrictions applicable to new agreements for gas supply from the Leviathan Reservoir to be signed with consumers as from the Government Resolution date. Most of the restrictions are no longer relevant, other than:

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

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

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

D. The gas sales agreements will not include a condition according to which the consumer's notice of shortening the term of the agreement or reducing the purchase quantity will result in a change in the terms and conditions of the agreement in any way that could impair the consumer's situation, including the price and payment terms and conditions, supply terms and conditions and dates, supply quantities, and additional restrictions in the sale of gas in a secondary sale.

(b) <u>Economic Competition Laws</u>

(1) <u>The Partnership's status as a monopoly</u>

On November 13, 2012, the Partnership was declared a monopoly - together with the other Tamar Project partners and separately - in the supply of natural gas in Israel, from the commencement of commercial supply from the Tamar Project. Although the Partnership completed the sale of its remaining rights in the Tamar and Dalit leases in December 2021, as at the report approval date, the Israel Competition Authority has not announced a change to the declaration of a monopoly in Tamar, and the Partnership still appears in the register of

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

48 Under his authority, the Minister of Energy extended the Exemption until January 1, 2030, under certain conditions set out in the Exemption; the Exemption was extended until January 1, 2030.

49 See footnote 76.

monopolists. In addition, since, at the report approval date, the Partnership jointly markets gas produced from the Leviathan project, it may also be considered as a monopolist, if the Leviathan partners are considered as monopolists in the supply of natural gas in Israel.

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

(2) Price controls on natural gas

The Commodity and Service Price Control Order (Application of the Law on Natural Gas and Level of Control) 2013 (hereinafter - the **"Commodity and Service Price Control Order"**) applies control on the gas sector with regard to reporting profit margins and prices. The foregoing duty of reporting applies separately regarding each project. In addition to the duty to report prices and profitability, as of the report approval date, no additional clauses under the Products and Services Price Control Order were triggered in respect of the prices of the gas marketed in Israel. For further information about the risk factor for the possible effect of imposing price controls on natural gas products in Israel, see Section 1.7.12(s) below.

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

The transaction for the acquisition of EMG shares (hereinafter - "**EMG Transaction**") by EMED Pipeline B.V (hereinafter - "**EMED**")[50], under the agreement described in Section 1.7.12(e) below, was subject, among other things, to obtaining approval for the merger, pursuant to Section 20(b) of the Economic Competition Law. On July 31, 2019, the Competition Commissioner issued a decision approving the merger,[51] under the terms and conditions summarized below:

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

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

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

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

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

F. EMED will not exercise the option granted to it to extend the capacity and operation agreement (described in Section 1.7.12(e) below) for a further 10 years without receiving a permit in advance from the Competition Commissioner.

On September 8, 2019, an appeal on the Competition Commissioner's decision to authorize the merger was brought to the Competition Court. On December 21, 2022, the court handed

---

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

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

down a judgment in the appeal, in which it ruled that the appellant did not manage to demonstrate that the merger gives rise to a reasonable concern that competition was significantly undermined; therefore, the court dismissed the remedy requested by the applicant - to revoke the approval given for the merger transaction. However, the court instructed the Competition Commissioner to issue a supplementary decision on the terms the Commissioner had imposed on the merger, in view of the difficulties presented by these terms (hereinafter in this section - the "**Supplementary Decision**"). The judgment became final on February 5, 2023. Further to the judgment, on March 22, 2023, the Israel Competition Authority submitted "a written pleadings prior to a hearing on the subject of the conditions for approving the EMG-EMED merger" submitted by the appellants to the Partnership's counsel. On July 9, 2023, EMED and EMG submitted a response to the appellant's argument, with the Partnership's and Chevron's knowledge and consent. As of the report approval date, a supplementary decision on behalf of the Competition Commissioner has not yet been received.

(c) The Law to Promote Competition and Reduce Concentration, 2013 (hereinafter - the "**Market Concentration Law**"); for further information see Section 1.17.2 below.

(d) The Petroleum Law and regulations promulgated thereunder

(1) The Petroleum Law

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

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

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

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

D. If a license holder discovers oil, it is entitled to an extension of the license period for a further sufficient period for defining the boundaries of the oil field, but no longer than two years, and the license holder is entitled to receive a lease on a certain area within the license area (that shall not exceed 250 sq. km), which grants it exclusivity to explore and to produce oil in the area of the lease all the while it is valid. The lease is given for a period of up to 30 years from the date it is issued, but if a lease is given pursuant to a license that was extended after a discovery in the license area, the term of the license will commence from the date of termination of the original license, prior to extension. A lease may be extended, pursuant to the provisions of the Law, for an additional period of up to 20 years. The Minister of Energy may revoke the lease, if the license holder does not produce oil in commercial quantities in the first three years of the license. In addition, a lease may expire following suitable prior notice given by the Minister of Energy, if the lease holder fails to produce or ceases to produce commercial volumes of oil.

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

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

G. The Law provides that the Petroleum Commissioner may rescind the petroleum rights or drilling rights if the owner of the rights fails to comply with any of the provisions of the Law or the terms of the petroleum rights or the preliminary permit, or does not act according to the work plan that it submitted or was late in execution or did not invest the amounts it committed to invest in oil exploration, and this despite a written warning issued to the holder of the petroleum rights or preliminary permit 60 days earlier.

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

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

J. The Minister of Energy may, in consultation with the Petroleum Council, require lease holders to supply at first, at the market price, oil and related fuel products produced in Israel, in the quantity of oil and oil products that the Minister of Energy believes is required for local consumption. However, it should be noted that the lease holder will not be required to (a) produce from a well a quantity exceeding its effective maximum output rate; (b)supply a percentage of its output exceeding the percentage of output required from another lease holder, unless the Minister of Energy deems it appropriate to deviate from the rule, if he believes this is required for national security or to prevent waste or dishonesty towards another lease holder.

K. In accordance with Section 54 of the Petroleum Law, where the holder of an oil right fails to pay fees or royalties on time and notwithstanding written notice submitted to the holder, payment has not been made after thirty days, the Minister may encumber all oil inventory, facilities, and other rights belonging to the holder of the oil right and may seize all the encumbered assets until payment is received in full.

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

M. A holder of a lease may lay pipelines for the transport of oil and oil products. A holder of a lease will not lay an oil pipeline, other than collection pipelines which lead to tanks within the area of and surrounding the wells in the lease area, other than along lines approved by the Petroleum Commissioner. An oil pipeline will be laid according to detailed diagrams in accordance with the Law; which will first require the approval of the Petroleum Commissioner, which will not be unreasonably withheld. The Petroleum Commissioner may, in consultation with the Petroleum Council, require the holder of a pipeline approved as aforesaid, to pipe the oil of a certain person, if the holder of the pipeline does not need it for transmission of its oil and under reasonable terms determined by the Petroleum Commissioner.

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

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

A. The Petroleum Commissioner will not certify an applicant as an operator unless the following key conditions are met:

1. The operator will be a lease holder holding at least 25% of the Rights in the oil asset.
2. The operator or its controlling shareholder (subject to the conditions in the Offshore Regulations) will have at least 5 years of experience, within the 10 year preceding the filing of the application, in performing the functions of an operator, including: (a) experience in offshore oil or natural gas exploration; (b) experience in offshore drilling; (c) experience in offshore development and production of oil and natural gas; and (d) experience in maintaining health, safety, and environmental protection relating to operations in petroleum interests.

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

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

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

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

B. The applicant for a petroleum interest must prove appropriate financial capacity by complying with both of the following:

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

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

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

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

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

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

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

(e) <u>Natural Gas Sector Law and Regulations promulgated thereunder</u>

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

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

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

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

3. Construction and operation of the LNG facility.

4. the establishment and operation of a storage facility.

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

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

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

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

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

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

The definition of the term "tariffs" in the Natural Gas Sector Law includes not only payments by consumers for the services they receive, but any payment imposed on any of the players in the natural gas sector, including natural gas suppliers, in favor of another licensee and for any purpose, including development of the gas sector, backup and redundancy. This would apply regardless of whether or not the player on whom the rate would be imposed receives any service from the license holder. This definition may also enable the imposition of charges on natural gas suppliers pursuant to the law.

On December 28, 2023, Amendment No. 13 to the Natural Gas Sector Law, 2023, was published, under which the Minister of Energy may extend the validity of INGL's transmission license by 15 years. In addition, it was determined that the Minister of Energy may grant INGL a distribution license, including the construction and operation of a distribution grid, while noting the considerations and limitations specified in the amendment.

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

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

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

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

Note that due to the Iron Swords War, the Government of Israel passed resolutions pursuant to Section 91(a) of the Natural Gas Sector Law, that are renewed from time to time, to authorize the Minister of Energy to declare a state of emergency in the natural gas market, to the extent necessary to exercise the powers set forth in the Emergency Regulations in order to cope with the shortage of natural gas. As of the report approval date, the conditions that call for such a declaration have not been met, and in accordance with Regulation 8 of the Emergency Regulations, if a state of emergency is declared in the natural gas market, the Minister is authorized, among other things, to order a different allocation of the quantities of natural gas for supply. Therefore, in such a case, the Minister may order the Leviathan Project partners to allocate certain quantities of natural gas for the benefit of the local economy at the expense of the gas supply to the export customers in Egypt and Jordan.

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

On April 6, 2022, Regulations into effect, according to which anyone engaged in the sale or marketing of natural gas will be obligated to provide the Director General of the Natural Gas Authority with quarterly reports containing information about the natural gas quantities sold or marketed each month, the prices agreed upon in each natural gas supply agreement, the total revenue of the seller or distributor from the sale of natural gas to consumers in the Israeli market, copies of agreements signed and other details.

(4) Regulation of criteria and rates for operating the transmission pipeline system

A. From time to time, the Natural Gas Market Council makes decisions to update the rates of the various transmission services.

B. According to the Natural Gas Market Council's resolution on January 3, 2021, on the criteria and tariffs for the purpose of operating the transmission system in the flow control regime, the Council determined that the costs due to the measurement gaps in the transmission system that arise from reasons that cannot be attributed to improper operation of the transmission system, but to factors that cannot be prevented or controlled, such as the measurement's timing, pressure differences, and temperature differences, will be borne by the gas suppliers. The Decision further stipulates that a reasonable UFG is in the range of 0%-0.5% (plus or minus). Costs incurred for reasonable UFG will be divided equally between the gas suppliers and the gas consumers.

(5) The Natural Gas Market Council decisions regarding funding of export projects via the national pipeline

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

On June 23, 2020 the Director General of the Natural Gas Authority announced that he determined that the cost of the Combined Section designed for the purpose of piping natural gas from the Leviathan and Tamar Reservoirs to the EMG receiving station in Ashkelon for the transmission of the gas to Egypt under the export agreements is estimated (as of the signing date of the Transmission Agreement) at a total of NIS 738 million and will be revised based on an update and accounting mechanism between the parties, as set out in the Transmission Agreement with INGL dated May 2, 2022, INGL revised the project budget to a total of approx. NIS 796 million.

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

The Director General's notice also stipulates that as long as the exporter exports to Egypt, the natural gas quantity set in the transmission agreement will be transmitted through the transmission licensee's transmission system and not through a section outside the Israeli transmission system, and that if the exporter discontinues export to Egypt, it will be required to pay the transmission licensee the difference, if any, between 110% of the total cumulative cost plus NIS 48 million (the cost for bringing forward doubling of the Dor-Hagit and Sorek-Nesher sections) and the cumulative transmission and capacity fees paid by the importer to the transmission licensee from completion of the Combined Section plus the payments made by the exporter to the licensee according to the foregoing.

For information about the transmission agreement signed between Chevron and INGL in connection with natural gas export to Egypt, see Section 1.7.14(e) above.

(6) On August 9, 2023, Natural Gas Council Resolution No. 3/2023, on financing and allocating a space on all export lines, was published, and the highlights of that resolution are as follows:

A. Space will be allocated to each exporter based on percentages calculated according to certain parameters such as the exporter's annual production capacity and the existing and possible export volumes of that exporter. According to the initial allocation, 54% of the total export space will be allocated to the Leviathan Reservoir, 33% to the Tamar Reservoir and 13% to the Karish Reservoir. For removal of doubt, it is clarified that the existing transmission agreements will not be affected.

B. If export infrastructure is constructed not by the transmission licensees, each exporter's share of such infrastructure will be taken into account as part of the export allocation.

C. The Council will re-examine and set the allocation upon occurrence of a significant event in the natural gas market, discovery of further significant reserves, entry of a new exporter, construction of additional natural gas export infrastructure or any other material change in the natural gas market, as decided by the Council.

D. The Council may decide that part or all of the export pipelines will be used to import natural gas if it is decided that the local market demand must be supplied.

E. With respect to the Ramat Hovav-Nitzana pipeline, it was determined as follows:

a) The space allocation will be equal between the existing exporters, such that each exporter may request a third of the pipeline's capacity and choose whether to exercise its allocation. The remainder of the capacity of an exporter that decides not to exercise its allocation, or part thereof, will be divided equally between the other exporters, subject to the total allocation limit of each exporter.

b) An exporter who finances the pipeline will be entitled to reimbursement pro rata to its allocation, for use of the pipeline by another party during the term of the transmission agreement.

c) An exporter who fails to sign a transmission agreement within two months of receipt of the allocation in the pipeline, or who fails to pay its share of the financing in accordance with the provisions of the transmission agreement, will be considered an exporter that waived its allocation. Accordingly, the allocation will be transferred to another exporter, who will be refunded for its costs.

d) The pipeline construction costs (CAPEX) include the compressor costs and are estimated at more than NIS 1 billion; the construction period is estimated at approx. 36 months. It is noted that, the operation of the compressor is expected to impose higher annual operating costs than operating the rest of the national transmission system, which are estimated at approx. NIS 20 million per year.

F. With respect to the North Jordan Pipeline, it was determined that once payment has been transferred to parties that financed the construction of the pipeline (NBL Jordan Marketing Limited and INGL), an exporter may sign a transmission agreement to use the pipeline, based on the quantity available over and above the existing continuous transmission agreements, as at August 1, 2023.

G. The continuous transmission agreements in the Ramat Hovav-Nitzana pipeline and North Jordan Pipeline of each exporter will not exceed 70% of the exporter's allocation in the pipeline, with the remaining space reserved for interruptible transmission.

H. The actual pipeline financing cost, and as a result, the cost of use per MMBTU, will be determined by the Director General of the Natural Gas Authority once the construction of the export pipeline is complete.

I. If a new natural gas reservoir is discovered, from which natural gas is intended to be exported, the new exporter will receive its full allocation in the Ramat Hovav-Nitzana pipeline and the balance of its allocation in the North Jordan Pipeline, provided that its allocation does not exceed 20% of the space in each pipeline. Such allocation will be made on account of the interruptible transmission agreements, subject to signing of a transmission agreement within 24 months before start of flow in the pipeline.

J. An export by secondary trade mechanism will be enabled through interruptible transmission agreements, in a quantity of up to 5% of the space in each export pipeline.

Note that the Leviathan Partners submitted their objections to the regulation of the participation in the Nitzana Pipeline to the Natural Gas Authority, and a discussion between the parties about this is underway.

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

(1) The Law imposes various duties on a public entity (as defined by the Law), including: (1) the appointment of a security officer, who will report directly to the general manager of the entity, to ensure the required level of security for the operations of the public entity; (2) appointment of an officer responsible for the security of essential computer systems; (3) appointment of a security guard in accordance with the requirements of an authorized officer.

(2) According to the Sixth Schedule to the Law, the holder of a license pursuant to the Natural Gas Sector Law that owns or operates an offshore facility is considered a public body with respect to imposition of the obligations set out in the Law, including having the offshore security measures necessary to safeguard the security of a person or to protect the property, structure or location of a public entity located offshore in the maritime zone, as well as actions required to prevent harm to any of them. The definition in the Law of an offshore facility includes, among other things, a facility or vessel used for conducting an oil discovery survey or drilling producing wells, transmission, liquefaction or regasification of oil or treatment, storage or transport of oil, and therefore, applies to the offshore production facilities of the Leviathan project. Accordingly, the provisions of the Sixth Schedule to the Law apply to the Leviathan Transmission System, which holds a transmission license from the Leviathan project.

(3) In addition to the offshore facilities, the provisions of the Sixth Schedule to the Law, also apply to an operator of an onshore processing facility of natural gas received by pipeline from the sea or a foreign country, under license or by law, and therefore, the provisions of the Law apply to the Hagit site facilities. An operator of an onshore facility is required to carry out physical security and information security measures.

(4) Under the Law, the Partnership and other Leviathan partners are responsible, inter alia, for the security of the essential automated systems in the reservoir's facilities, in accordance with the guidelines of the Israel National Cyber Directorate (hereinafter - "**INCD**"). Since the operator is responsible for operating the production system of the reservoir, it is the one which actually implements the instructions of the INCD on this matter. As the Partnership was notified and to the best of its knowledge, in June 2021, the operator received renewed confirmation from the INCD with respect to full compliance of the Leviathan Reservoir with the security requirements. Note that this confirmation was extended until February 2026.

(5) As at report's approval date, and as the Partnership was informed by the operator, with respect to the operation of the Leviathan Reservoir, the operator is in compliance with the provisions of the Regulation of Security in Public Bodies Law and the sections concerning the security arrangements in the lease deed, including the instructions on security matters issued by the professional officers in the navy pursuant to law.

(g) The Petroleum Commissioner's directives

(1) Collateral for oil rights

Pursuant to Section 57 of the Petroleum Law, the Petroleum Commissioner issued guidelines for provision of collateral for oil rights, which are revised from time to time (hereinafter in this section - the "**Guidelines**"). The Guidelines set out, among other things, provisions regarding guarantees to be deposited by new license applicants when filing the application and before carrying out the drilling, and grant extensive discretion to the Petroleum Commissioner in this regard. In addition, according to the guidance, the guarantees will remain valid also after the right for which they were given terminates, until the Petroleum Commissioner advises otherwise, but no longer than 7 years after the right for which they had been provided expires.

The Guidelines also stipulate that the Petroleum Commissioner may order forfeiture of the guarantees or any part thereof, if in his opinion, the holder of the oil right failed to act with due caution with regard to the oil right or caused damage by actions due to the oil right or failed to expend such expenses or comply with such obligations with respect to such expenses or obligations under the Petroleum Law, and in accordance with the Commissioner's Directives, during the rights period.

The Guidelines also require the holder of oil rights to purchase and maintain, at its expense and throughout the entire term of the oil right, all insurance coverages customary among international oil or gas exploration or production companies, and to issue orders in this regard.

If the directives are breached, the Petroleum Commissioner may view the foregoing as non-compliance with the work plan and with the provisions of the lease and may act in accordance with the provisions of the Petroleum Law.

As of the report's approval date, pursuant to these directives and the terms and conditions of the Partnership's oil assets, the Partnership, together with its partners in the various projects, has deposited autonomous bank guarantees for the Ashkelon, Noa, Leviathan North and Leviathan South, and for the "I" cluster licenses, Ofek Hadash and Yahel Hadash licenses.[52] The Partnership's total share in the foregoing collateral amounts to approx. USD 54.7 million.

(2) Guidelines for reporting safety incidents at offshore facilities

On January 1, 2023, the Petroleum Commissioner published draft directives for reporting safety incidents at offshore facilities for public comments (hereinafter in this section - the "**Directives**"). The draft Directives refer to irregular events arising from offshore oil exploration and production. As at the report approval date, the Directives have not yet been published.[53]

(3) Directives for method of calculation of the royalty value at wellhead

On May 14, 2020, the Director of Natural Resources at the Ministry of Energy released the directives for the calculation of the royalty value at the wellhead in accordance with Section 32(b) of the Petroleum Law (hereinafter in this section - the "**Directives**").

The Directives state that the value of the royalty at wellhead will be equivalent to 12.5% of the sale price to customers at the point of sale, net of essential costs for treatment, processing and transportation of the petroleum, actually incurred by the lease holder between the wellhead and the point of sale.

The expenses to be recognized for the purpose of calculating the value of royalty at wellhead are expenses actually incurred by the lease holder, from the wellhead to the point of sale, as specified below, provided that the Commissioner deems them necessary for the oil to be marketable: (a) the following capital expenses (capex): (1) costs for the treatment and processing of the petroleum; and (2) costs of pipeline transportation of the petroleum up to the first point of connection to the national pipeline system; and (b) operating expenses (OPEX) arising directly from the types of capital expenses.

The Petroleum Commissioner will determine for each leaseholder, from time to time, specific directives for each lease, specifying the deductible expenses for calculating the royalty, according to the specific characteristics of the lease. The Directives set out additional provisions, including a breakdown of the types of expenses that will not be recognized, the method of recognizing decommissioning costs, and the method for addressing transactions that are affected by the existence of special relationships between the parties to the transaction.

On July 24, 2022, the Petroleum Commissioner at the Ministry of Energy released specific directives regarding the calculation method for state royalties from the Leviathan Reservoir, and on September 1, 2022, the Leviathan partners submitted their response to the specific directives. For further details, see Note 11I3 to the financial statements (Chapter C of this report).

For details regarding the Specific Directives of the Petroleum Commissioner at the Ministry of Energy regarding the method of calculating the state royalties from the Tamar Reservoir, as well as regarding the draft royalty audit reports for 2013-2018 received from the Ministry of Energy in connection with the Tamar Reservoir and regarding the response of the Tamar Partners to the said reports, see Note 11I7, respectively.

For information about the dispute between the Tamar partners and the Ministry of Energy regarding the method of calculation of the royalty value at wellhead, see Section 1.7.12(h)(4) below.

---

[53] See the link: https://www.gov.il/he/departments/publications/Call_for_bids/reporting-jan-2023

(4) Transfer and pledge of oil asset rights and benefits in oil asset rights

On December 28, 2020, the Petroleum Commissioner issued a new version of the directives regarding Section 76 of the Petroleum Law, setting out provisions and conditions for transferring and pledging oil interests (preliminary permit, license and lease) and benefits (including rights to contractual royalties) in an oil interest. (hereinafter in this section - the "**Directives**"). These terms depend, among other things, on whether commercial production has started and the type of the transferred oil right.

Under the directives, the transfer and pledge of an oil right is subject to prior approval from the Petroleum Commissioner.

According to the Directives, the requirement to obtain the Petroleum Commissioner's approval for transferring and pledging oil interests and benefits in an oil interest apply in certain cases also to the transfer or allocation of means of control of a company (as defined in the Directives).

The Directives set forth conditions for granting the Commissioner's approval to transfer rights, while distinguishing between the transfer of rights in a license and lease and other actions, including conditions regarding the solvency of the applicant and compliance with the conditions required of an operator pursuant to the requirements of the Petroleum Law and the Petroleum Commissioner' orders. The Directives also set out specific conditions regarding the transfer of royalty rights, pledge of oil interests and other specific cases.

As for the pledging of the oil rights, it is clarified that permission to pledge does not constitute permission to transfer the pledged right, and if the conditions for exercising the pledge are met, the license or lease or any part thereof or benefit in the license or lease, as the case may be, will not be transferred to the pledge holder or any other body, unless the Petroleum Commissioner allows the transfer to the transferee in advance and in writing, pursuant to the Directives. In addition, the appointment of a receiver for the pledged rights will not be subject to the rules applicable to the transfer thereof, provided that the Petroleum Commissioner agreed in advance and in writing to the identity of the receiver and the powers provided to him.

The Petroleum Commissioner may not approve a transfer, even if all the condition for providing the approval which are set in these Directives are met, if he is convinced that reasons of public security, national security, foreign relations or international trade relations so justify, and in this context, in the case the transferee is a corporation controlled by a foreign country or there are other special circumstance with respect to which the transfer is not in the best interests of the public or the energy sector in Israel.

(5) Application for approval of export

The guidelines issued by the Petroleum Commissioner concerning obtaining a natural gas export permit set out, among other things, the date and method for filing of such an application. As of the date of approval of this Report, approvals were received for export agreements signed by the Partnership, as set out in Section 1.7.13(c) above.

(h) Government resolution concerning the export of natural gas

(1) Further to the conclusions of the Committee for Examination of Government Policy on the Natural Gas Sector in Israel adopted by the Israeli government in June 2013 (hereinafter - the "**Tzemach Committee**"), on January 6, 2019 the Israeli government adopted Resolution No. 4442 the main recommendations of a professional interministerial committee, headed by the Director General of the Ministry of Economy, Udi Adiri, which reexamined the matter of supply and demand of natural gas as at 2018 (hereinafter in this section - the "**Resolution 4442**").

(2) According to the Resolution 4442, the volume of natural gas that must be guaranteed in favor of the domestic market will be 500 BCM (hereinafter - the "**Minimum Quantity for the Domestic Market**"), which will allow the supply of natural gas for domestic consumption 25 years subsequent to the Government Resolution. In this matter, the "volume of natural gas" signifies the cumulative volume of natural gas as per the 2P and 2C PRMS categories for discoveries recognized by the Petroleum Commissioner, for which leases were granted and the connection of the leases to the shore was completed in accordance with the development plan, allowing supply to the Israeli market.

(3) Obligation to supply the Minimum Volume to the Local Market, with regard to discoveries that were recognized subsequent to the Resolution 4442, will be as follows:

Volume of Natural Gas in the Reservoir	**Minimum rate of supply to the domestic market out of the volume of natural gas in the reservoir**
More than 200 BCM (inclusive)	50%
Equivalent to or exceeding 100 BCM, but less than 200 BCM	40%
Equivalent to or exceeding 25 BCM, but less than 100 BCM	25%
Less than 25 BCM	To be set by the Commissioner of Petroleum

Obligation to supply the Minimum Volume to the Local Market, with regard to discoveries that will be recognized subsequent to the Government Resolution, will be as follows:

Volume of Natural Gas in the Reservoir	**Minimum rate of supply to the domestic market out of the volume of natural gas in the reservoir**
For each additional 1 BCM and more exceeding 200 BCM	55%
For each additional 1 BCM and more exceeding 50 BCM to 200 BCM	50%
Less than 50 BCM	There will be no obligation to supply to the local market

It should be noted that, in the matter of reservoirs shared by Israel and other countries, the Petroleum Commissioner will set the specific conditions and arrangements.[54] It was also determined that the export facilities will be located in an area under Israeli control located in its exclusive economic zone, unless otherwise provided in a bilateral agreement between Israel and another country.

(4) Export of natural gas is subject to approval by the Petroleum Commissioner,[55] and the volume of gas that may be exported will be based on the pro rata share of the permitted export volumes in the reservoirs at the same time, subject to ensuring the Minimum Amount for the Local Market, as aforesaid.

(5) Resolution 4442 also sets out provisions regarding the obligation to connect reservoirs to the domestic market according to the size of the reservoir, provisions regarding the sale of natural gas to consumers on the domestic market intended for the manufacture of downstream products designated mainly for export, provisions regulating sub-trading in natural gas that may be earmarked for export.

(6) Under Resolution 4442, it was determined that this would be examined by the government at the lapse of five years from its approval date in order to make changes, as necessary, in the policy on the discoveries to be recognized by the Commissioner after five years from the resolution approval date, according to the local economy's needs and while noting the supply of natural gas, such that another resolution on the matter is expected to be made in 2024.

(7) Further to Resolution 4442, on December 28, 2023, it was published that the Minister of Energy had ordered the Director General of the Ministry to launch the establishment of the Inter-Ministerial Committee for Periodic Review of the Natural Gas Market Policy. Further to that, on February 14, 2024, the Committee's discussions began. The Committee is expected to examine the natural gas export policy, as it relates to new natural gas reservoirs, and not as it relates to producing reservoirs, as well as all relevant aspects – energy aspects, economic aspects, environmental aspects, and defense aspects. The Committee is expected to

[54] It should be noted that the permitted export quota from the Tanin and Karish reserves, in a volume of 47 BCM was replaced by the duty to supply the local market as applies to the holders of the Leviathan leases, commencing from the date of approval by the Petroleum Commissioner for the transfer of the rights in the Tanin and Karish leases. For details, see Section 1.7.20(a)(2) above.

[55] For details regarding the directives of the Petroleum Commissioner relating to submitting applications for approval for the export of natural gas, see Section 1.7.1(a)(5).

complete its task within a few months and submit its conclusions to the Government as soon as 2024.

(8) Over the months of August and December 2023, the Tamar Partners obtained the Petroleum Commissioner's permission to export additional quantities of gas from the Tamar Project, at a maximum scope of approx. 4 BCM per year, subject to the complete expansion of the Tamar Reservoir's production capacity.

(i) Draft policy paper on decommissioning of offshore exploration and production infrastructure

On May 2, 2023, the Ministry of Energy published a draft policy paper for public comment, setting out general principles regarding decommissioning offshore oil and natural gas exploration and production infrastructure, without derogating from the provisions of the law applicable in this regard and the provisions of the lease deeds and operation permits. The Draft Policy Paper outlines, among other things, rules, covenants, and timetables for the decommissioning of drilling and production facilities and for the decommissioning of subsea infrastructure and pipelines that are no longer useful, among other things, according to the location of deep-sea offshore facilities, on or below the seabed.

According to the initial assessment of the Partnership, approval of the strict requirements in the Draft Policy Paper is expected to increase the decommissioning costs of the Partnership's assets.

(j) Decisions and plans of the Government of Israel and government authorities regarding the reduction of greenhouse gas emissions and promotion of renewable energies

(1) Discontinuing the use of coal for electricity generation

On June 3, 2018, the government authorized the reform of the electricity sector and a structural change in the IEC, in Resolution 3859.[56] According to the resolution, the IEC will reduce its electricity generation operations by selling 5 generation sites with maximum capacity of approx. 4,500 MW, which constitutes approx. 40% of its electricity generation capacity, and in addition - IEC will build two modern natural gas powered generation units at Orot Rabin, as part of the trend of reducing the use of coal in the electricity generation process. According to the Minister of Energy's decision on November 20, 2019, the two coal-fired generation units at the Orot Rabin site in Hadera and the four coal-fired generation units at the Rutenberg site in Ashkelon will be converted to natural gas by 2025 and no later than 2026, such that the electricity generation using coal era in Israel will end in that year.[57]

Notwithstanding the above, according to the IEC's reports, the IEC Board of Directors resolved, on May 18, 2023, to continue to promote the conversion of the two generation units at the "Rutenberg" site only, but suspend the project to convert the four additional generation units at the "Rutenberg" site and the "Orot Rabin" site until the Ministry of Energy resolves in favor of an in-principle recognition of the project's costs.[58]

On June 15, 2023, the IEC Board of Directors decided to cancel the suspension of the project to convert the two remaining generation units at the "Rutenberg" site, to prevent the potential damage to the project from a delay in the conversion completion schedule. The suspension of the project to convert the two generation units at the Orot Rabin site will remain in effect.[59]

On August 9, 2023, integrity tests were carried out for the first converted unit at the Rutenberg site, which were not fully completed due to the Iron Swords War. As of the report approval date, and based on recent IEC publications, despite the IEC's announcement that the odds of performing the conversion of the six coal-fired generation units on schedule are greater than the odds of not completing the conversion, the continuation of the conversion project and its completion date are not entirely certain. The estimated updated schedule for completing the entire project has not yet been published.[60]

(2) Government Resolution No. 1261 on Pricing Local Pollutant and Greenhouse Gases Emissions

On January 14, 2024, Government Resolution No. 1261 was adopted (hereinafter - "**Resolution 1261**"), under which the Minister of Finance was tasked with amending the Excise

---

56 https://www.gov.il/he/departments/policies/dec3859_2018

57 https://www.gov.il/he/departments/policies/electricity_nov_2019

58 The report for Q1, 2023, Tel Aviv Stock Exchange, May 2023.

59 The report for Q3, 2023, Tel Aviv Stock Exchange, November 2023.

60 IEC Ltd. Investor Presentation, IEC, February 2024.

on Fuel Ordinance and the Customs Tariff and Exemptions and Purchase Tax on Commodities Ordinance, in order to bring about gradual internalization of the external environmental costs of carbon emissions and local contaminants. The taxes relating to natural gas will be imposed gradually starting in 2025, as follows: The amount of the excise and purchase tax on natural gas will be approx. NIS 33 per ton in 2025; approx. NIS 54 per ton in 2026; approx. NIS 80 per ton in 2027; approx. NIS 114 per ton in 2028; approx. NIS 149 per ton in 2029; approx. NIS 192 per ton in 2030, etc. In addition, the resolution also stipulated: (1) that the Ministry of Finance, the Ministry of Energy, the Ministry of Economy and Industry, and the Ministry of Environmental Protection will determine a budgetary support procedure for plants that consume fuels, that will simulate the consideration they would have been entitled to under the emissions quota according to the European Union Emissions Trading System (EU ETS) if they had been subject to that system, while keeping the incentives to promote higher efficiency in plants in place, and while noting the required changes in the market characteristics and the structure of the Israeli carbon tax and the principles set forth in the government resolution; (2) to minimize the use of polluting fuels, such as fuel oil and LPG, a plan would be implemented to accelerate the pace of laying the natural gas grid by the Natural Gas Authority; (3) the Ministry of Environmental Protection will be ordered to contact the Maintenance of Cleanliness Fund, in order for the Fund to set a budget out of the fund to support the conversion of waste to fuel; (4) if, in any year until the end of 2029, the average price of electricity for the home consumer as of the annual electricity rate update, increases beyond the Consumer Price Index due to a change in the interest rates, fuel costs, and exchange rates indexes – the Minister of Finance will issue an order to suspend or reduce the increase of the excise tax on natural gas for one year, in a way that will prevent the electricity prices from increasing at a rate that exceeds the rate of the increase in the Consumer Price Index, subject to Sections 40 and 40A of the Budget Foundations Law; (5) the Ministry of Finance will publish an outline for assisting underprivileged populations, to help them cope with the increase in energy prices, as applicable; (6) if technological developments occur that enable the reduction of carbon emissions from the original fuels – the Ministry of Energy, the Ministry of Finance, and the Ministry of Environmental Protection will examine the significance of these technological developments; (7) the revocation of Government Resolution No. 286, dated August 1, 2021, on pricing greenhouse gas emissions.

(3) National plan to prevent and reduce air pollution in Israel

On March 14, 2022 government resolution No. 1282 was adopted, which presents a national multiyear plan for preventing and reducing air pollution and greenhouse gas emissions in Israel (hereinafter in this section - the "**Plan**").[61] The resolution stipulates that the plan will constitute part of the State of Israel's tackling global warming; it is designed, among other things, to execute some of the State of Israel's undertakings under the Paris Climate Agreement, and the Glasgow Climate Change Conference. Under the resolution, quantitative objectives were set to reduce air pollutant and greenhouse gas emissions from the industry, electricity generation, transportation, agriculture, and waste by 2030, as well as to promote environment and health-related information on air pollutants, and promoting environmental and climate technologies, and within this – ratifying a 30% national renewable energy penetration target by 2030, and reducing greenhouse gas emissions from the electricity sector by 2030, at a rate of 30% compared with the electricity sector's emissions in 2015.

As part of the report on the plan's implementation published by the Ministry of Environmental Protection on July 11, 2023,[62] the Ministry of Environmental Protection alerted that there is a concern that the plan's objectives will not be met, mainly due to the suspension of the plan to convert the coal-fired units according to the IEC's resolution on May 18, 2023, as detailed in Paragraph (1) above.

(4) The Paris Agreement and PPCA Agreement

In 2016, Israel joined the Paris Agreement, which was summarized during the UN Framework Convention on Climate Change in 2015 and deals with the reduction of greenhouse gas emissions and treatment thereof by countries worldwide. The central commitment of each country signed on the Paris Agreement is to formulate a plan every 5 years setting out measures to be taken to deal with climate change.

In addition, in December 2018, Israel joined the PPCA, whose purpose is to encourage the reduction and phasing out of the use of coal. The partners to the initiative undertook to

---

[61] https://www.gov.il/he/departments/policies/dec286_2021
[62] https://www.gov.il/he/Departments/news/status_report_regarding_the_national_plan_to_reduce_airpollution

gradually reduce coal-fired electricity generation and to support clean energy in government and corporate policy. The countries and organizations that signed the agreement support reducing the use of coal in OECD countries by 2030 and worldwide by 2050.

(5) Integration of hydrogen in the Israeli energy market

On May 15, 2023, the Ministry of Energy published a strategy document for integrating hydrogen in the Israeli energy market. The document reviews the hydrogen export, transport, and storage characteristics, and examines how to use hydrogen, its integration in the world, and possibilities of integrating in Israel. The letter proposes to formulate, by 2030, policy measures that will lay the initial infrastructure for hydrogen use, including mapping of areas suitable for storing hydrogen, promoting experimental areas, establishment of hydrogen valleys, project guidance and pilot experiments in the market, promotion of safety standardization and of regulatory guidelines for experiments.

On May 3, 2023, Government Resolution No. 482 was published, and it stipulates that the Objectives section in INGL's articles of association is amended such that INGL may engage in the construction and operation of hydrogen gas pipelines, including ancillary facilities, as well as the construction and operation of a carbon dioxide disposal pipeline for the carbon dioxide that is related to or generated by the production of hydrogen, subject to a permit, if such a permit is granted, and as specified therein, in accordance with the provisions of Section 14(b) of the Natural Gas Sector Law, 2002. On December 21, 2023, the Minister of Energy gave INGL an additional business permit, to engage in the field of hydrogen.

(k) National Outline Plan 37/H regarding reception and processing of natural gas

For preparing the planning infrastructure for connecting the natural gas reservoirs to the national pipelines network installing the necessary facilities, approval of the National Council for Planning and Construction (hereinafter in this section - the "**National Council**") and the Israeli government is required for a detailed partial national outline plan that addresses the reception and treatment of natural gas from the discoveries to the national pipeline network (hereinafter in this section - the "**Outline Plan**" or "**NOP 37/H**").

The Outline Plan designates areas (terrestrial and marine) for installing the facilities required for the production and conveying of natural gas, including, inter alia, natural gas reception and treatment stations, a gas pipeline etc. It is noted that the Leviathan Reservoir development plan as set out in Section 1.7.4(b)(10) above, is compatible with NOP 37/H.

(l) Yam Tethys Project and Leviathan Project permits and licenses

(1) As part of the development of the Yam Tethys project, the Yam Tethys Partners received a permit to construct a permanent rig for the production of natural gas and oil as well as a permit for operating a natural gas production system under the Petroleum Law, and the Minister of Energy also granted Yam Tethys Ltd. (a company owned by the Yam Tethys Partners) a license to establish and operate a pipeline system for transmitting the natural gas of the Yam Tethys Partners or of other natural gas suppliers, under certain conditions and subject to the terms of the license and the Natural Gas Sector Law, from the production platform to the reception terminal.

(2) As part of Phase 1A, the Leviathan Partners received a permit for the construction of a permanent natural gas and/or oil production reg and a permit for operating a natural gas and condensate production system at the Leviathan Project, under which the Leviathan Partners were required, inter alia, to provide guarantees as set out in Section 1.7.4(b)(14) above.

On February 21, 2017 the Minister of Energy granted Leviathan Transmission Systems Ltd. (a company owned by the Leviathan Partners) a permit for the construction and operation of a pipeline network, which will be used to convey natural gas from the fields in the Leviathan Leases, or of other natural gas suppliers under certain conditions, all subject to the terms of the license.

(m) Specific legislation applicable in the Partnership in Cyprus

The Partnership's oil and gas exploration operations in Cyprus are subject to legislation and regulation applicable to the operating segment in the Republic of Cyprus, including provisions regarding the obligation to obtain permits and licenses to perform actions, an undertaking to execute a work plan, provision related to safety and environmental protection, etc. It is noted that, the Republic of Cyprus is a full member of the EU and is therefore subject to the EU directive on granting and use of hydrocarbon exploration and production permits (Directive

94/22/EC) and other relevant European legislature that also regulates hydrocarbon exploration and production operations in the Republic of Cyprus and its EEZ.

1.7.26 **Material agreements**

Following is information about material agreements entered into by the Partnership that were in force in the period from January 1, 2022, until the report approval date:

(a) Main natural gas sale agreements from the Leviathan project to the domestic market and for export, as set out in Section 1.7.13(c) above.

(b) The financing documents of the debentures issued by Leviathan Bond described in Section 1.7.12(b) above.

(c) The PSC in Block 12 described in Section 1.7.5(c) above.

(d) Agreements regarding entry into the field of renewable energy projects in collaboration with Enlight and the Partnership's CEO, as specified in Section 1.7.10 above.

(e) Series of agreements for the acquisition of EMG shares and regulation of the terms and conditions for exporting gas to Egypt

In order to enable execution of the Export Agreement to Egypt, EMED acquired 39% of the share capital of EMG, a private company registered in Egypt, which owns a 26-inch, 90-kilometer-long subsea pipeline connecting the Israeli transmission system near Ashkelon to the Egyptian transmission system near El-Arish, as well as related facilities (above and hereinafter - the "**EMG Pipeline**"). For information about the EMG Transaction and the series of agreements for the acquisition of its shares, see Section 1.7.20J to Chapter A of the Company's Periodic Report for 2020.

(f) Joint operating agreement for the Leviathan Leases[63]

(1) General

Activities in the Leviathan Leases (hereinafter in this section - the "**Oil Asset**") were carried out through a joint operating agreement ("Joint Operating Agreement or "JOA") dated August 31, 2008 (as amended from time to time); the parties to the JOA are the Partnership and the other partners in the Leviathan leases as described in Section 1.7.4(a) below (hereinafter in this section - the "**Agreement**" or "**JOA**"). The purpose of the JOA is to set out the mutual rights and obligations of the parties in connection with operations in the Leviathan lease areas (hereinafter in this section - the "**Oil Asset**").

According to the JOA, Chevron was appointed as the Operator.

(2) Method of accounting

Unless specified otherwise in the JOA, all rights and interests in the Oil Asset, the joint property and all hydrocarbons produced from them will be subject to the terms of the Oil Asset and the rules applicable to it, based on the participation rate of the parties. Furthermore, unless stated otherwise in the JOA, the obligations of the parties under the terms of the Oil Asset and JOA, all liabilities and expenses incurred or undertaken by the Operator in connection with the joint operations,[64] and all credits in the joint account, [65] the parties will bear between them, according to their participation rate in the Oil Asset, and each party will pay on the date under the provisions of the Accounting Procedure in the JOA (hereinafter - the "**Accounting Rules**"), their share based on their participation rate of all expenses of the joint account. It should be noted that the payments dates are main points of the JOA and payments by one party of any charge under the JOA do not deny such party's any subsequent right to divide such charge. According to the Accounting Rules, Chevron is entitled to reimbursement of all direct expenses connected to fulfillment of its duties as operator and reimbursement for indirect expenses arising from the share of the joint venture expenses in the exploration stage as follows:

---

63 It is noted that at January 1, 2012, operations in the Leviathan Leases were carried out under a single JOA.

64 According to the definitions in the JOA, "Joint Operations" are the operations carried out by the Operator in accordance with the provisions of the JOA and the costs that are attributable to each of the parties to the JOA.

65 According to the definitions in the JOA, "Joint Account" is the accounts managed by the Operator for the joint project in accordance with the provisions set in the JOA and the accounting rules.

Direct expenses (annual)	Rate of payment to the Operator (as a percentage of the direct expense)
More than USD 4 million	4%
USD 4-7 million	3%
USD 7-12 million	2%
More than USD 12 million	1%

The indirect expenses for the development and production phase were not set out in the JOA and on June 30, 2016, an amendment was signed to the JOA for the Levitan project, according to which the Operator will be entitled to indirect expenses at a rate of 1% of total direct expenses for development and production activities, subject to certain exceptions, such as marketing activities.

(3) The rights and obligations of the Operator

According to the JOA, the operator will be solely responsible for the Partnership's operations in the Oil Asset - which includes, among other things, drafting of work plans, budgets and payment orders, the execution of the work plan in accordance with the approval of the joint operating committee, the planning and obtaining of all approvals and materials required for executing them, and providing consultation and technical services as required for the effective running of the joint operation. The Operator may employ subcontractors and/or agents (that may be a related party/affiliate[66] of the Operator or one of the parties to the JOA or a related party/affiliate of one of the parties to the JOA) to carry out the foregoing Joint Operation.

In managing the Joint Operations, the Operator is required, among other things, to comply with the terms of the oil field license and legal regulations applicable to it and the JOA, and the guidelines of the operating committee (whose duties are described below), and to conduct all the Joint Operations diligently, safely and efficiently according to prudent oil field practices conventional in the international oil industry under similar circumstances. The Operator is also required to purchase the insurance coverages specified in the JOA according to the provisions included in the JOA.

The Operator is also required, after receiving reasonable prior notice, to allow the representatives of each party at any reasonable time and at their expense and responsibility, access to the Joint Operations, including the right to observe the Joint Operations, to examine all the joint assets and to conduct a financial audit according to provisions of the Accounting Procedure set out in the JOA.

Subject to the terms of the oil assets, the terms applicable to it and the JOA, the Operator will determine the number and identity of the employees, their work hours and the salary that will be paid to them regarding the Joint Operations. The Partnership will employ only the human resources reasonably required to implement the Joint Operations.

The Operator will provide the other parties with data and information as set out in the JOA and will allow them access at any reasonable time to all such information.

The Operator, as instructed by the operating committee, will inform the parties immediately of any material claims and other claims filed as a result of the Joint Operations and/or relating to them. The Operator will represent the parties and will defend against such foregoing claims. The Operator may, at its sole discretion, settle any claim or series of claims for up to an amount of USD 50,000 plus legal fees, and will request the approval of the operating committee for any amount exceeding this amount. Each party will be entitled, at its expense, to be represented by its own attorneys in any settlement or defense in such claims. None of the parties will reach a settlement in respect of its pro rata share in any claim without first proving to the operating committee that it is able to do so without impairing the interests of the Joint Operations.

Each party which is not an operator will notify the other parties immediately of any claim against that party made by a third party and which arises from the joint operations or could affect the joint operations, and the party that is not the operator will defend itself or settle the

[66] In this context, a related party/affiliate" is defined in the JOA as a legal entity that was or is controlled by a party to the JOA (directly or indirectly); and "control" means a holding (direct or indirect) of more than 50% of the voting rights or ability to control decision making in such legal entity.

claim as instructed by the operating committee. Expenses and damages incurred in respect of the defense or settlement, and which are attributable to the Joint Operations will be charged to the joint account.

Unless otherwise stated in this section, the Operator (and in this matter - including its directors and officer, affiliates and their directors and officers, hereinafter, jointly: the "**Indemnified Parties**") will not bear (other than as a party at the rate of its participation in the oil asset) any damage, loss, cost, expense and liability that are a result of the Joint Operations, even if caused, in full or in part, by a prior defect, negligence (exclusive, shared or parallel), gross negligence, absolute liability or any other absolute liability or any other legal guilt of the Operator or of any Indemnified Party.

Unless otherwise stated in this section, the parties to the JOA, according to the rate of their participation in the oil assets, will defend and indemnify the operator and the joint parties for all damages, losses, costs, expenses (including reasonable legal expenses and lawyers' fees), and liabilities arising from claims, demands or grounds for claim filed by any person or legal party and which are a result of or arise from the joint operations, even if caused in full or in part, by prior damage and negligence (exclusive, shared or parallel, gross negligence, absolute liability or any other legal guilt of the operator or of any indemnified party).

Notwithstanding the foregoing, should a senior officer of the operator or related party be involved in gross negligence that is proximately causing any damage, loss, cost, expense or liability to claims, demands or cause for claim as aforesaid, then, in addition to its liability as party according to the share of its participation, the operator will bear only the first USD 5,000,000 of the damage, loss, cost, expense and liability.

Notwithstanding the foregoing, under no circumstances will an Indemnified Party (other than as a holder of rights in the oil asset in accordance with the rate of its participation rights) be liable for environmental or consequential damages or losses.

(4) <u>Operating Committee</u>

Under the JOA, the parties established an Operating Committee, which has the authority and the duty to approve and oversee the Joint Operations that are required or necessary for fulfilling the terms of the oil licenses and the JOA, for exploration and use of the oil asset areas in accordance with the JOA and in a manner that is appropriate in the circumstances. The operating committee is composed of representatives of the parties (and their substitutes) and each representative will have a right equivalent to the participation right of the party it represents. The JOA sets out the processes and procedures for convening meetings of the Operating Committee and the agenda by a vote and including processes and procedures for decision making.

Unless otherwise explicitly stipulated in the JOA, all decisions, approvals and other actions of the Operating Committee in respect of any proposal that is presented to it, will be resolved by an affirmative vote in favor of the proposal of two or more parties (which are not related parties or affiliates), that together hold at the time of the vote at least 60% of the total participation rights in the area of the oil asset.

It is further noted that, to pass a resolution to terminate the lease or waive any part of the lease area, a vote in favor by all the parties is required. A positive decision by one party to JOA is sufficient to approve any application for a license or renewal of a license or a lease.

(5) <u>Work plans and budgets</u>

The JOA establishes a procedure for submission and approval of work plans, budgets and authorizations for expenditure (AFE) for carrying out the operations in the areas covered by the JOA.

On the first day of October or before this date in each calendar year, the operator will submit a proposed work plan and production budget to the parties, setting out the Joint Operations to be carried out in the production area as well as the planned production schedules for the next calendar year and the Operating Committee has 30 days from date such proposal is submitted within which to decide regarding the work plan and production budget.

Any engagement by the Operator in agreements with regard to exploration and assessment, and production operations, at a cost that exceeds USD 2.5 million, and development operations, at a cost that exceeds USD 5 million, will require the approval of the Operating Committee.

Before any expense or undertaking that exceeds USD 500,000 for each item in the approved exploration, assessment and production work plan and budget, as well as an amount exceeding USD 1,000,000 for each item in the approved development work plan and budget, the Operator will submit an AFE to the other parties, that will include, among other things, an estimate of the amounts and timetables required for carrying out such operation, as well as any additional information necessary to support such request. Notwithstanding the foregoing, the Operator is not required to submit an AFE to the parties before undertaking an expense in respect of ongoing operating, general and administrative expenses classified as separate items in the approved work plan and budget.

The Operator may deviate without obtaining approval from the Operating Committee, by up to 10% of the amount approved for a given item, provided the cumulative total of deviations in a calendar year does not exceed 5% of the approved work plan and budget. If the Operator expects that such deviation may exceed these limits, it will submit another AFE to the Committee for approval of the expected extra expense. These limits do not affect the Operator's right to exceed the expenses for urgent operational matters and emergencies as specified in the JOA.

It should be noted that the JOA allows non-operator parties to submit work plans and budgets that are different from those submitted by the Operator, for approval by the Operating Committee. If the work plans and budgets submitted by the parties are not approved by majority vote by the Operating Committee, as set out above, then the work plan that received the most votes will be approved, as long as it meets the required minimum working conditions with regard to the oil asset.

(6) <u>Sole Risk Operations</u>

Operations in which not all the parties participate, (defined in the JOA as exclusive operations, and which are commonly known as sole risk operations in the oil exploration sector) will not be carried out if they contradict the Joint Operations that all the partners participate in. The JOA establishes rules for carrying out such operations.

The JOA includes provisions relating to sole risk operations – in other words, drillings, tests and development, without the consent of all the parties and which, under certain circumstances as set out in the agreement, can be carried out by some of the partners. Parties that did not join such operations are given the opportunity, subject to the conditions and payments set out in the agreement, to retrieve their share in the operation and anything relating to it. Furthermore, parties have not joined the sole risk operations, but have decided to join later after the date for joining, will be subject to fines and interest as set in the JOA.

(7) <u>Operator's resignation and removal from office</u>

Subject to the provisions of the JOA, the Operator may at any time, with prior notice of at least 120 days, resign from its position as Operator.

Subject to the provisions of the JOA, the Operator will be removed from its position in any of the following cases: (1) if it becomes insolvent or bankrupt, or makes an arrangement in favor of its creditors; (2) if a party to the agreement gives notice of a court order or a valid ruling for restructuring according to insolvency laws; (3) or if a receiver is appointed for a significant portion of its assets; or (4 if the Operator is dissolved or ceases to exist.

In addition, the Operator may be removed from its position according to a decision by other parties to the JOA (other than the Operator) in the event of a fundamental breach of the JOA and if the Operator failed to begin correcting the breach within 30 days of receiving notice specifying the breach, or failed to complete the remedy of the breach. Any decision of the other parties in the JOA (other than the Operator) to notify the Operator of a breach or to remove the Operator from its position will require a majority vote in favor of such decision by one or more non-operator (or non-related party/affiliate of the Operator), together representing at least 65% of participation rights of such parties that are not an operator.

If there is a change of Operator as aforesaid, then the Operating Committee will convene as soon as possible to appoint an operator, however no party to the JOA will be appointed to the position of operator against his will. An Operator that is removed from its position or its related party/affiliate will not have the right to vote for itself or to be a candidate for the position of operator.

(8) <u>Sanctions applicable to the parties and conditions for imposing sanctions</u>

A party that fails to pay its pro rata share of the joint expenses on time, including advance and interest payments, or that fails to present or maintain the collateral it is required to provide will be considered as a breaching party (hereinafter - The “**Breaching Party**”). From the end of 5 days after the date on which the Breaching Party receives notice of the breach, and for as long as the breach continues, the Breaching Party will not be entitled, among other things, to attend or vote at the Operating Committee meetings, receive information regarding the Joint Operations, and transfer its participation rights or part thereof, other than to breaching parties.

Each party that is not the Breaching Party (hereinafter - "**Non-breaching Party**") will be required to cover its pro rata share (compared to the share of the other Non-breaching Parties) of the amount of the breach (excluding interest), and to pay this amount to the Operator within 10 days of receiving notice of the breach, and if a Non-breaching Party fails to do so, it will become a Breaching Party.

As long as the breach continues, the Breaching Party will not be entitled to receive the share of the output to which it entitled, and this share will become the property of the Non-breaching Parties, and they will be entitled, according to the procedures set out in the JOA, to collect their due from this share until full payment of the amount in the breach (including establishment of a reserve fund). Any surplus amount will be paid to the Breaching Party and any shortfall will remain a debt of the Breaching Party to the Non-breaching Parties. If the Breaching Party fails to remedy the breach within 90 days of the breach notice, then, without derogating from any other right of the Non-breaching Party according to the JOA, each Non-breaching Party will have the option (which may be exercised at any time until the breach has been remedied in full) to demand that the Breaching Party withdraw completely from the JOA and the oil asset. If this option is exercised, on the date of sending the notice concerning the option to exercise, the Breaching Party will be considered as having transferred all its rights under the JOA and in the oil asset to the Non-breaching Parties, and will be required, without delay, to sign any document and to take all steps required by law to validate the transfer of rights, and to remove any lien or charge on these rights.

The rights and remedies of the Non-breaching Parties following the breach are in addition to any other rights and remedies that will be available to the Non-breaching Parties under the law.

The basic principle of the JOA is that each party is required to pay its pro rata share on time (according to the rate of its participation in the oil asset), of all amounts due according to the JOA. Consequently, a party that becomes a Breaching Party waives the claim of offset and will not be entitled to raise it towards Non-breaching Parties that applied the procedures set out in the JOA against the Breaching Party, for failure to pay the amounts due from it on time.

(9) <u>Transfer of rights</u>

Transfer of all or part of the participation rights of a party in an oil asset will be valid only if it complies with all the terms set out in the JOA including, among others, the following conditions:

A. Other than a case where a party transfers all its participation rights in the oil asset, rights will not be transferred which, as a result, will leave the transferor or the transferee with participation rights of less than 10% in the oil right or the JOA.

B. Notwithstanding the transfer, the transferor will remain responsible towards the other parties to the JOA for all financial and other liabilities, that were incurred, vested or accrued according to the oil asset or the JOA prior to the date of transfer, including, any expense that was approved by the Operating Committee before the transferor gave notice of the transfer of the rights to the other parties to the JOA.

C. The transferee will have no rights under the oil asset or under the JOA, as long as and until: (a) it has received the required government approval and provided the guarantees required by the government or under the terms of the oil asset; (b) has expressly undertaken in a written document to the satisfaction of the other parties, to perform the transferor's obligations under the terms of the oil asset and the JOA in respect of the participation rights transferred to it; and (c) all the other parties have agreed in writing to the transfer. It should be noted that the parties may refrain from granting their approval only if the transferee fails to show to their reasonable satisfaction that it has the ability to meet his payment obligations under the leases and the JOA and the technical ability to contribute to the planning and execution of the Joint Operations. Nonetheless, in the event of a transfer to a related party, the consent of the other parties is not required, provided that the transferring party remains responsible for the transferee fulfilling its obligations in full.

D. The foregoing will not prevent a party to the JOA from pledging all or part of its participation rights as collateral for financing, provided that the party remains liable for all obligations relating to the foregoing right. Such lien or pledge will be subject to any required governmental approval and will be expressly recorded as subordinated to the rights of the other parties under the JOA.

E. The transfer of a party's participation rights in the oil assets, in whole or in part, (other than the transfer to a related party or a pledge on the rights as specified above) will be subject to giving notice to the other parties, in which the transferor will disclose to the other parties the final terms and conditions of the transaction and will grant them right of first refusal. Once such notice is given, each of the other parties will have the right to acquire the participation rights offered in the transaction from the transferor under the same conditions (and without any reservation) by giving counter-notice within 30 days from receipt of the notice. In the event that more than one party gives notice of their intention to exercise the right of first refusal, the rights will be sold pro rata to the share of participation rights of such parties.

(10) Change in Control

In the event of a change in control of one of the partners, such party will provide the other parties: (1) all required government approvals, as well as guarantees required by the government; and (2) proof regarding its financial ability to meet the obligations under the agreement. In addition, the party in which such change is made will give notice of the change of control to the other parties (hereinafter in this section - the **"Notice"**). In this section, "change of control" means any direct or indirect change in the control of a party (including by way of merger, sale of shares, other interests or otherwise) where the value of its holding in Leviathan will be more than 50% of the market value of the of such party's total assets. The Notice will contain, among other things, the market value of the partner's interests under the JOA, based on the amount that the buyer of the control is willing to pay in an arm's length transaction. Once such Notice has been given, each of the other parties will have the right to purchase the full interests of the partner in which the change of control occurred, within 30 days from receipt of the Notice, and such purchase will be under the same terms and at the price given. It is further noted that, under the terms and conditions set out in the JOA, the other parties may dispute the value given in the Notice of the change of control.

In the event that more than one party gives notice of its willingness to exercise its right to purchase the interest as aforesaid, the interest will be divided pro rata to the participation rights percentage of the parties.

(11) Withdrawal from the JOA

The JOA includes provisions for full or partial withdrawal of a party from any oil asset (and from the applicable JOA), and determines the cases in which withdrawal is possible, and the rights and obligations of the withdrawing party towards the other partners in the Oil Asset and the JOA.

A party seeking to withdraw from the oil asset is required to notify the other parties of its decision (hereinafter in this section - the "**Withdrawal Notice**"). The Withdrawal Notice will be unconditional and irrevocable immediately upon delivery, subject to the conditions set out in the JOA. Within 30 days after delivery of the Withdrawal Notice, the other parties to the JOA may also submit a Withdrawal Notice. In the event that all the parties submit a Withdrawal Notice, they will act to terminate the JOA and their other obligations related to the project and the JOA. In the event that not all the parties decide to withdraw, each of the withdrawing parties will act in order to transfer their rights as soon as possible, as aforesaid, to the partner/partners that chose not to withdraw. The transfer of the rights will be free of charge and each withdrawing party will bear any expenses arising from their withdrawal, other than if decided otherwise. The transferred rights will be divided among the remaining parties according to the rate of their holdings.

(12) Production rights and obligations

Each party has the right and obligation to take its share of the hydrocarbons produced from the holdings, unless agreed otherwise.

(13) Applicable law and resolution of disputes

The JOA is subject to the laws of England and Wales. Any dispute will be decided in an arbitration proceeding in accordance with the arbitration rules of the London Court of International Arbitration (LCIA).

(g) Joint operating agreement for Block 12

The JOA in Block 12 covers the same issues and is the same format as the JOA in the Leviathan Project (as described above). When resolutions are adopted by a decisive majority vote which is a positive vote in favor of a decision by at least two participants that are not affiliated parties and that jointly hold at least 65% of the license rights. Chevron Cyprus serves as the Operator in Block 12. However, it is noted that the applicable joint operations agreement in Block 12 does not grant the parties the right of first refusal in the event of a transfer of rights in the oil asset.

(h) Payment of royalties to the State and undertaking to pay royalties to the State and to related and third parties

(1) General

Under the Petroleum Law, the Partnership is required to pay the royalties to the State at the rate of one-eighth (12.5%) of the volume of oil and natural gas produced from the area of each lease and utilized, at the market value of the royalty at wellhead (hereinafter - the **"State Royalties"**).

In addition to State Royalties, the Partnership pays royalties, according to the market value of the royalties at wellhead, to related and third parties (hereinafter, jointly - the **"Royalty Holders"**) under their obligations in two agreements: (a) the undertaking to pay royalties to the Company and to Delek Energy under the 1993 Agreement, as described in subsection (2) below; and (b) the undertaking to pay royalties under the Avner Partnership Limited Partnership Agreement (hereinafter - **"Avner Partnership Agreement"**), as described in subsection (3) below, which the Partnership assumed as part of the merger of Partnerships that was completed in May 2017.

The Partnership undertook to pay royalties to Royalty Holders at certain rates from the Partnership's share of the oil, gas and other substance of value produced and utilized from the oil assets in which the Partnership has an interest, at the market value of the royalty at wellhead.

As aforesaid, pursuant to the Petroleum Law, the leaseholder is required to pay the State the "market value of the royalty at wellhead". A method must be set for calculating the market value of the royalty at wellhead is required because natural gas sales are priced at the onshore gas delivery point, and therefore, the contractual price stipulated in the gas sale agreements is higher than the price that would have been set had the gas been delivered at wellhead. Consequently, the effective rate of the State Royalties is actually lower than one-eighth (hereinafter - the **"Effective Rate"**). For information concerning the draft directives issued by the Ministry of Energy for public comment regarding the method for calculating the market value of the State Royalties at wellhead, see Section 1.7.12(h)(4) above. For further information concerning the method of calculation of the Effective Rate of the State Royalties in Tamar Project and Leviathan Project and regarding the discussions with the State on this matter, see subsection (4) below. It is noted that the calculation of royalties paid by the Partnership to the Royalty Holders is based on the calculation of the value of the State Royalties at wellhead.

(2) Royalties under the 1993 Agreement

Under the 1993 Agreement signed between Delek Energy and Delek Israel (hereinafter - the "**Transferors**") of the one part, and the general partner in the Partnership, of the second part, the Transferors transferred to the Partnership rights in several licenses and the Partnership undertook in return to pay royalties to the Transferors from the Partnership's share of the oil, gas and other substance of value produced and utilized from the oil assets in which the Partnership has an interest. The Royalties will be paid from the Partnership's total share, as aforesaid, at the value of the Royalty at wellhead, before deduction of royalties of any kind but after deduction of the oil used for its production needs.

The royalty paid by the Partnership under the 1993 Agreement is divided between Delek Energy (75%) and Delek Israel (25%). Following reorganization, the Company currently holds Delek Israel's right to such royalties.

The rate of royalties set in the 1993 Agreement, and as revised on the date of the merger of the partnerships, are as follows: (a) until date or return on investment of the Partnership, royalties will be paid at a rate of 2.5% for onshore oil assets and 1.5% for offshore oil assets; and (b) after ROI date, royalties will be paid at a rate of 7.5% for onshore oil assets and 6.5% for offshore oil assets.

As for determining the investment recovery date, the following provisions are stipulated in the royalties terms under the 1993 agreement:

(i). The term "Investment Recovery Date" means the date after the rights transfer agreement is signed, in which the Total Net Proceeds (as defined below) that the Partnership receives or is entitled to receive due to oil and/or gas and/or other valuable materials extracted and utilized out of the oil asset (i.e., a license or a lease) in which the finding is located, calculated in dollars (according to the representative rate published by the Bank of Israel), reaches a sum that is equal to the full value of all the Partnership's expenses on that oil asset (as defined below), calculated in dollars (according to the representative rate, as said above).

(ii). The term "Total Net Proceeds" means the value of all receipts, as confirmed by the Partnership's Certified Public Accountants, due to oil and/or gas and/or other valuable materials produced and utilized out of the oil asset (i.e., license or lease) (hereinafter - the "**Total Gross Proceeds**"), net of all production expenses and royalties paid for them.

(iii). The term "Partnership's Total Expenses" means all the expenses the Partnership has spent on the oil asset (i.e., license or lease) out of which the oil and/or gas and/or other valuable materials are produced, but excluding the expenses (up to the Total Net Proceeds) deducted from the Total Gross Proceeds for the purpose of determining the Total Net Proceeds, and as verified by the Partnership's Certified Public Accountants.

Pursuant to the 1993 Agreement, the Partnership and the Transferors signed deeds of royalties under which the royalty rights were recorded in the Petroleum Register.

In December 2017 the Partnership began paying royalties under the 1993 Agreement with respect to the Tamar Project at a rate of 6.5%, the rate after the ROI date of the Project, based on a draft calculation prepared by the Partnership at that time. For information regarding the legal proceedings held with regard to setting the ROI Date of the Tamar Project, see Note 21A2(3) to the Financial Statements.

(3) <u>Royalties under the Avner Partnership Agreement</u>

Under the Avner Partnership Agreement, Avner Partnership undertook to pay to Cohen Development and other third parties, royalties of 6% of its entire share in the oil, gas and other substances of value that are produced from the oil assets in which it has or had an interest. The Royalties are calculated at the value of the Royalty at wellhead, before deduction of royalties of any kind but after deduction of the oil used for production needs. According to this undertaking, deeds of royalties were signed between Avner Partnership and the Royalty Holders, under which the royalty rights were recorded in the Petroleum Register.

Under the merger of the Partnerships, the Partnership assumed the undertakings of Avner Partnership to pay royalties and accordingly, the rate of royalties paid by the Partnership to the Royalty Holders under the Avner Partnership Agreement was adjusted to 3%. In the amendment to the Partnership Agreement drawn up at the time of the merger, the Partnerships clarified that the Avner Partnership Agreement and deeds of royalties signed under them would retain full validity with respect to the parties therein.

(4) <u>Method of calculation of the market value of royalties at wellhead</u>

<u>Effective rate in the Tamar project</u>

Since the start of production in 2013, a dispute has arisen between Tamar Partners and the Ministry of Energy regarding the method for calculating the effective rate of royalties. Tamar Partners claim that the payments they have made, at the demand of the State, are excess payments that were collected illegally, and therefore Tamar Partners are acting through Chevron to settle this dispute with the Ministry of Energy.

In that context, it should be noted that under the terms of the transaction for the sale of the balance of the Partnership's rights in the Tamar and Dalit leases, which was completed in December 2021, the Partnership is entitled to receive amounts in respect of excess payments paid to the state in respect of the Tamar project, if the claims of the Tamar Partners on this issue are allowed.

In view of the dispute that has arisen between the Tamar Partners and the State regarding the calculation of the effective rate in the Tamar Project, and the other dispute regarding the royalties paid to the State for gas marketed from the Tamar Reservoir to Yam Tethys Project customers, the Partnership reached agreements with the Company and the other Royalty Holders, the main point of which is that any final decision made in the dispute with the State on these issues will also apply with regard to the royalties that the Partnership pays to the Royalty Holders. For further information concerning the foregoing dispute, see Note 11I7 to the financial statements.

Effective rate of the Leviathan Project

According to a demand letters received from the Ministry of Energy in October 2023 and January 2024, the Leviathan Partners are required make advance payments to the State on account of royalties for revenues from the Leviathan project in 2023 and 2024 at a rate of 11.06%, instead of 11.26% as paid by the Leviathan Partners as from the gas supply commencement date from the Leviathan Reservoir according to the demand letter sent by the Ministry of Energy in January 2020.. This effective rate is higher than the calculation of the Partnership and Chevron, such that based on the royalty report submitted by Chevron to the Ministry of Energy for 2020, the rate of royalties to the state in the Leviathan Project should be approx. 9.58%. Accordingly, the royalties rate the Partnership relies on in its financial statements for 2022 is approx. 10.9%, and in its financial statements for 2023, it is approx. 10.73%. The difference between the royalties actually paid by the Partnership to the State for the Leviathan Project and the effective royalty rate used by the Partnership in its financial statements for 2019-2023 amounts to approx. USD 15 million. For further details, see Note 11I4 to the financial statements (Chapter C of this report).

(5) Terms of royalties

With regard to all the royalties paid by the Partnership to the Company and to third parties, the following additional conditions apply:

A. The Royalty Holders or any of them will be entitled to receive the foregoing royalties or part thereof in kind, i.e. to receive in kind part of the oil and/or gas and/or other substance of value produced and utilized from the oil assets in which the Partnership has an interest (up to the rate noted above). If any of the Royalty Holders chose to receive royalties in kind, the parties will regulate the manner of and dates on which the Royalty Holders will receive the royalties. If any of the Royalty Holders choose not to accept royalties in kind, the Partnership will pay that Royalty Holder the market value, in USD, or (if by law it is only able to pay in Israeli currency) in Israeli currency, calculated at the representative exchange rate of the USD at the time of actual payment, of the royalties due to the Royalty Holder. Such payment will be made once every month. The volumes of oil and/or gas and/or other valuable substances that will be produced and utilized from the oil assets for the purpose of calculating the royalties due to the Royalty Holders, will be measured in accordance with accepted principles in the petroleum industry.

B. The Partnership will keep full and accurate records concerning its share in the oil and/or gas and/or other valuable substances that will be produced and utilized from the oil assets in which it has an interest. Each Royalty Holder will be entitled to appoint an accountant who may review, examine and copy, during normal work hours, the Partnership's books and other documents and records regarding the Transferors' right to the royalties under the Rights Transfer Agreement.

C. The right to royalties will be linked to the Partnership's share in each of the oil assets in which it has an interest. If the Partnership transfers its rights in the oil asset in which it has an interest, the Transferee will undertake all the liabilities to pay the royalties. The foregoing does not apply to foreclosure of the asset due to delay in payment by the Partnership. With regard to the royalties under the Avner Partnership Agreement, the foregoing will not apply also in the event of transfer to partners continuing the operations together with some of the participants (Sole Risk).

(i) Agreement for the sale of 9.25% of the Partnership's interests in the Tamar and Dalit Leases to Tamar Petroleum.

Under the provisions of the Gas Framework, which, among other things, required the Partnership to sell all of its holdings in the Tamar and Dalit leases, on July 2, 2017, a sale transaction was signed between the Partnership as Seller and Tamar Petroleum, under which Tamar Petroleum purchased from the Partnership an interest of 9.25% (out of 100%) in the Tamar and Dalit leases. For further information concerning the agreement, see Section 1.7.36(r) to the Company's Periodic Report for 2018.

(j) Agreement for the sale of the Partnership's remaining interests of 22% in the Tamar and Dalit Leases

In accordance with the provisions of the Gas Framework, which, inter alia, requires the Partnership to sell its entire holdings in the Tamar and Dalit leases, on September 2, 2021, the Partnership signed an agreement for the sale of the balance of the Partnership's rights at a rate of 22% in the Tamar project to Tamar Investment 1 RSC Limited and Tamar Investment

2 RSC Limited[67]. For further information concerning the agreement, see Section 1.7.33 to the 2021 periodic report.

1.7.27 **Legal proceedings**

(a) On March 12, 2015, the Partnership and Chevron (hereinafter, jointly in this section - the "**Plaintiffs**") filed a claim with the Jerusalem District Court against the State of Israel, through their representatives from the Ministry of Energy, which is mainly a request for a refund of royalties that the Plaintiffs overpaid and under protest, to the Defendant, for revenues arising from gas supply agreements signed between third party customers and the Yam Tethys partners, where some of the gas underlying these agreements was supplied from the Tamar project, in accordance with an accounting mechanism intended for balancing the volume of gas in the Tamar Project between the partners pro rata to their share. The refund remedy that the state is petitioned to pay amounts to approx. USD 28 million as at December 31, 2022; the share of the Partnership amounts to approx. USD 13 million.

Alternatively, the Plaintiffs claim that they are at least entitled to a partial refund, which, as at December 31, 2022, amounts to approx. USD 19.4 million; the share of the Partnership amounts to approx. SD 9 million.

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. On February 6, 2023, the plaintiffs appealed the judgment with the Supreme Court. On August 13, 2023, the defendant filed its response to the appeal, and a hearing on the appeal was scheduled for July 15, 2024.

The Partnership believes, based on the opinion of its legal counsel, that it is difficult to assess the chances that the Plaintiffs' claims in the appeal will be accepted, further to the judgment that was handed down and since a hearing on the appeal has not yet taken place.

It should be noted that once it is final, the decision will apply, mutatis mutandis, also to the overriding royalties paid by the Partnership over the years in respect of the Tamar Project, in accordance with the agreements described in Section 1.7.12(h)(4) above. Accordingly, should the court decision of November 14, 2022 remain unchanged, the Partnership will be required to pay a further amount to Royalty Holders, including to the Company, in respect of the quantities of gas supplied by the Partnership to customers of the Yam Tethys Project, in respect of which a approx. USD 6.2 million provision was recognized in the Partnership's financial statements (including interest and linkage differences). It should be noted that out of the said provision, the Company's share in the payable royalties is approx. USD 2.1 million.

It is also noted that, pursuant to the terms of the agreements for the sale of the Partnership's interests in the Tamar Project as described in Section 1.7.12(j) above, once the transaction is completed, the Partnership will still be responsible for and entitled to, as the case may be, the amounts under dispute between the state and the Royalty Holders.

(b) On December 25, 2016, the holders of Avner participation units prior to the merger of the partnerships (hereinafter in this section - the **"Petitioners"**) filed a motion for certification of a class action (hereinafter in this section - the "**Motion for Certification**") on the grounds that the partnerships merger transaction between the Partnership and Avner was approved in an unfair process and the consideration paid to the holders of the non-controlling units in Avner, as fixed in the partnerships merger agreement, was unfair. The Motion for Certification was filed against Avner, the general partner in Avner and members of its board of directors, Delek Group as the controlling shareholder in Avner (indirectly), and against PricewaterhouseCoopers Consulting Ltd. (hereinafter - "**PWC**"), as the economic advisor of an independent board committee established by Avner (hereinafter in this section - the "**Respondents**"). The Motion for Certification includes allegations that the members of the committee, board of directors of Avner and the general partner in Avner, breached the duty of care towards Avner, and that Avner acted in a way that discriminated against the non-controlling interests. The plaintiffs estimate that the damage amounts to NIS 320 million.

On February 13, 2017, the court approved a procedural arrangement whereby the Motion for Certification will be amended by adding a claim of discrimination against a minority by the

67 To the best of the Partnership's knowledge, the Acquirers are special purpose companies (SPCs) that were set up for the purpose of the transaction and are held (indirectly) by MDC Oil & Gas Holding Company LLC, a Mubadala Investment Company PJSC group company owned by the Abu Dhabi government.

Delek Group. On July 6, 2017, the court ordered the Partnership to join as a respondent, at its request.

On May 7, 2023, the court judgment was received dismissing the motion for certification. On July 6, 2023, the movants appealed the judgment to the Supreme Court, and in the appeal, the Supreme Court was asked to grant the appeal and rule in favor of the motion to certify. On December 27, 2023, PWC filed a counter-appeal against the judgment, which is being conducted within the said appeal, alleging that the District Court erred in not awarding it costs (hereinafter in this section - the "**Counter-appeal**"). According to the court's decisions, the parties must file their responses to the appeal and the counter-appeal by April 15, 2024. A hearing on the appeal and the counter-appeal was scheduled for January 2, 2025.

The Partnership estimates, based on the opinion of its legal counsels, that the appeal's chances of being rejected are higher than its chances of being accepted.

(c) On February 4, 2019, a claim and a motion for its certification as a class action (hereinafter in this section - the "**Motion for Certification**") was filed with the Tel Aviv District Court (Economic Department) by a shareholder of Tamar Petroleum and the Public Representatives Association (hereinafter in this section, jointly - the "**Applicants**"), against Tamar Petroleum, the Partnership, the CEO of the Partnership and the Chairman of the Board in Tamar Petroleum at the issuance date, the CEO of Tamar Petroleum, the CFO of Tamar Petroleum, and Leader Issues (1993) Ltd. (hereinafter "**Leader**" and jointly in this section - the "**Respondents**"), regarding the issue of Tamar Petroleum shares in July 2017 (hereinafter in this section - the "**Issuance**").

According to the Applicants, in brief, the Respondents misled the investors at the time of the Issuance, in relation to the ability of Tamar Petroleum to distribute a dividend to its shareholders, for the period commencing on the date of the Issuance and ended at the end of 2021 (hereinafter in this section - the "**Period**"), and breached its duties under various laws, including breach of the duty of care of the officers and breach of the Partnership's duty as a shareholder and as the controlling shareholder of Tamar Petroleum prior to the Issuance.

The remedies sought in the approval petition included mainly monetary relief in the amount of at least USD 53 million, which, according to the petitioners, is the difference between the total dividend expected to be paid by Tamar Petroleum for the Period, as set out in the issuance document to institutional investors of July 12, 2017, and the total dividend, which, according to the expert opinion attached to the motion for certification, Tamar Petroleum is expected to distribute for the Period.

On August 13, 2019 the court ordered the Applicants to send the court documents in the case to the Attorney General such that he could give notice by September 15, 2019 of whether he wishes to join the proceeding, and on February 6, 2020 the Attorney General announced that at this stage he did not find it appropriate to join the proceedings.

On November 1, 2020, the Applicants filed a motion to amend the motion for certification under which they sought to add another petitioner that participated in the issuance, and this unlike the current petitioners that did not take part in the issuance, and in addition sought to increase the amount of damages claimed to USD 153 million. On April 6, 2121, the court accepted the applicants' motion for the amendment to the motion for certification and ruled that the applicants may file the amended motion for certification in the wording that was filed with the court, subject to payment of costs to the respondents in the amount of NIS 100,000. On January 23, 2022, an amended motion for certification of the class action was filed, and on August 21, 2022, and September 4, 2022 the Respondents filed their response to this motion. A pre-trial hearing was held on December 20, 2022, and in accordance with the court decision in this hearing, on January 17, 2023 the Respondents filed an amended response to the Respondents' responses to the amended motion for certification.

On April 23, 2023, the applicants filed a motion for a disclosure of documents order and on July 17, 2023, the court dismissed the motion for disclosure of documents for all respondents, except that regarding Lidor, for which the motion was accepted partially. Furthermore, on August 16, 2023, the court approved an agreed arrangement of hearings between the parties, according to which the examination of witnesses under the motion for certification will take place during February-April 2024. As of the report approval date, the case is in the evidentiary stage, which is expected to end in April 2024.

The Partnership believes, based on the opinion of its legal counsel, that it is more likely than not that the motion for certification will be dismissed.

(d) On February 27, 2020, the Partnership learned of the filing of a class action and motion for its certification (hereinafter in this section - the "**Motion for Certification**") filed with the Tel Aviv District Court by an electricity consumer (hereinafter in this section - the **"Applicant"**) against the Partnership and Chevron and against the other holders of the Tamar project and the Leviathan project (as litigants against which no remedy is sought), with regard to the competitive process for the supply of natural gas conducted by the IEC and with regard to a possible amendment to the agreement for the supply of gas from the Tamar project to the IEC as agreed by Isramco, Tamar Petroleum, Dor and Everest (hereinafter in this section - the "**Other Tamar Project Holders**"), without the involvement of the Partnership and Chevron (hereinafter in this section the "**Amendment to the Tamar Agreement**").

The main arguments of the Applicant are, that the bids made by the holders in the Tamar project and the holders in the Leviathan project in the competitive process amount to abuse of monopolistic power and to a restrictive arrangement, as defined in the Economic Competition Law; the fact that the Partnership and Chevron did not sign the amendment to the Tamar agreement also amounts to abuse of monopolistic power; the price set in the agreement for the supply of gas from the Leviathan project to the IEC further to the competitive process is an unfair price; and profits generated and to be generated by the Partnership and Chevron under the agreement, while harming competition, amount to unjust enrichment. The applicant claims that the actions of the Partnership and Chevron have caused and are expected to cause damage to the classes he seeks to represent in the amount of approx. NIS 1.16 billion, for which the applicant is petitioning in favor the classes he seeks to represent, and according to which the court is petitioned to award compensation and fees. The main remedy sought in the class action approval petition is a ruling by the court that the Partnership and Chevron are not entitled to prevent the other holders in the Tamar project from signing the Amendment to the Tamar Agreement.

On December 22, 2020, the other holders in the Tamar project filed a motion for summary omission, and on September 9, 2021, the court approved the omission. In addition, on November 17, 2021, the court accepted the agreed motion of Ratio to omit it from the motion for certification.

On December 9, 2021, the Partnership and Chevron filed their response to the motion for certification and the motion for issuing the legal opinion attached to the motion for certification, and on February 27, 2022, the court ruled that the motion will be heard in the pre-trial hearing scheduled for April 24, 2022. On February 28, 2022, the applicant filed a response to the respondents' response to the motion for certification.

On a pre-trial hearing held on April 24, 2022, the court ordered the following: (a) the legal opinion that was attached to the motion for certification will be struck out, and the Applicant shall bear the Respondents' expenses with regard to the application in this case; (b) the Respondent will be given the opportunity to submit a motion to amend the certification motion by May 24, 2022; (c) through that date, the parties will be allowed to file to the court a list of questions that will be referred to the regulator, which is relevant the certification motion; and (d) on May 25, 2022, or shortly thereafter, the court will allow the Respondents to reply to the motion to amend the certification motion, should such a motion be submitted, or alternatively will transfer the judicial documents, together with the questions filed by the parties, to the regulator.

On May 25, 2022, the parties filed a list of questions that will be referred to the regulator, and on May 31, 2022 the court ordered the transfer of the judicial documents to the State Attorney's Office, Central District (Civil Division) in order to receive the regulator's position on the dispute which is the subject matter of the certification motion. On January 19, 2023, the regulator's position was filed (the Israel Competition Authority, at the agreement of the Ministry of Finance and the Ministry of Energy in collaboration with the Attorney General). In summary, the said position did not expressly state whether the claims raised in the certification application have any grounds; however, it reviewed the factual and legal background in a manner that is generally in line with the Partnership and Chevron's claims. On February 6, 2024, the court accepted the applicant's motion, with the respondents' consent, to cancel the evidentiary hearings scheduled for March-April 2025 and new dates have yet to be set.

The Partnership believes, based on the opinion of its legal counsel, that it is more likely than not that the motion for certification will be dismissed.

(e) On January 6, 2019, the supervisors on behalf of the holders of participation units in the Partnership filed a discrimination claim and an urgent motion for an interim injunction with the Tel Aviv District Court (the Economic Department) (hereinafter in this section - the "**Statement**

of Claim" or "**Supervisors' Claim**" and the "**Motion for an Interim Injunction**", respectively), in accordance with Section 65W(b) of the Partnerships Ordinance, against the Partnership, the general partner in the Partnership, Company, Delek Energy and Tomer Energy (the Company, Delek Energy and Tomer Energy, hereinafter in this section, jointly - the "**Royalty Holders**").

In the statement of claim, the Supervisor petitioned the court to declare that the ROI calculation for the Tamar project will include payments that the Partnership is required to pay to the State under the Natural Resources Taxation Law; to declare that the ROI date for the Tamar project has not yet arrived; to determine the date from when the Royalty Holders will be eligible to receive the overriding royalty at the increased rate (rate of 6.5% instead of 1.5%); and to declare that the Royalty Holders must refund to the Partnership's account the overpaid amounts that they received, with the addition of linkage and interest differentials.

On April 4, 2019, the Royalty Holders filed their statement of defense and a counter claim against the Partnership, the General Partner and the Supervisor (hereinafter in this section - the "**Counterclaim**"). In the counter claim, the royalty holders allege, among other things, that in the calculation of the investment recovery date in the Tamar project, the Partnership included expenses that were attributed to the calculation, including the financing expenses of the Partnership itself, future expenses of an uncertain amount for decommissioning and removal of facilities, headquarter expenses of the Partnership, and any expense intended for the project stages after the wellhead. According to the Royalty Holders, after deducting these expenses, the investment recovery date in the Tamar project had already been achieved in August 2015, or alternatively, in 2016 or alternatively again, in 2017. Accordingly, the Royalties Holders petitioned the court to declare which expenses should be included in the calculation of the investment recovery date, to instruct the Partnership to re-calculate the investment recovery date accordingly, and the royalties due to the Royalty Holders, and to submit the said calculation to the Royalty Holders.

On October 2, 2019, the Partnership and the General Partner filed their statements of defense, statements of defense concerning the Supervisors' Claim and statement of defense with respect to the Counterclaim filed by the Royalty Holders, in which they argued that both claims should be dismissed.

On April 5, 2021, a preliminary hearing was held, during which the court suggested that the parties go for mediation, and as a result, the parties agreed that Supreme Court Justice (Ret.) Yoram Danziger will act as mediator.

On December 21, 2023, at the request of the parties the court ordered dismissal of the claim of the supervisors and the counterclaim without any order of expenses due to agreements reached between the parties, according to which, inter alia, the parties approved the original calculation made by the Partnership. Furthermore, the royalty-holders and the Partnership confirmed that the principles according to which the Investment Recovery Date in the Tamar Project was calculated will apply (subject to certain adjustments set out under the agreements) with respect to the calculation of the investment recovery date in the Leviathan Project as well.

(f) On April 23, 2020, a holder of participation units of the Partnership (hereinafter in this section - the "**Petitioner**") filed a class action and motion for certification of a class action against the Partnership, the General Partner of the Partnership, Delek Group Ltd., Yitzhak Sharon (Tshuva), the Company's controlling shareholder, the directors of the General Partner of the Partnership (including the former chairman of the board of directors) and the CEO of the General Partner (hereinafter in this section the "**Motion for Certification**" and the "**Respondents**", respectively), with the Economic Department of the Tel Aviv District Court.

In the Motion for Certification, it is alleged that the Respondents failed to disclose, in the Partnership's reports, the existence of a term in the agreements for the sale of natural gas from the Leviathan and Tamar Reservoirs to Blue Ocean (formerly Dolphinus Holdings Limited) (hereinafter in this section - the "**Sale Agreements**" and the "**Acquirer**", respectively) according to which, in a year in which the average daily price of a Brent barrel (as defined in the Sale Agreements) falls below USD 50 per barrel, the Buyer may reduce the minimum annual quantity purchased under the Sale Agreements to 50% of the annual contractual quantity (hereinafter - the "**Reduction Condition**"). According to the Applicant, the alleged non-disclosure in the Partnership's reports establishes grounds for a claim under various sections in the Israel Securities Law, by virtue of breach of statutory duty, and negligence.

The main remedy sought in the Motion for Certification is compensation of the class that Applicant intends to represent for the alleged damage it incurred, which is estimated, based on the opinion attached to the Motion for Certification, in the amount of approx. NIS 55.5

million. In addition, the Applicant petitioned to court to order any other compensation in favor of the class, as the court deems fit under the circumstances.

On January 17, 2021, the Respondents filed their response to the motion for certification, together with an expert opinion, in which it was argued, inter alia, that during the period relevant to the motion for certification, the Reduction Condition was not material and there was no duty to disclose it to the public and that there is no causal link between disclosure of the Reduction Condition and the decline observed in the prices of the Partnership's participation units. On January 2, 2022, the Attorney General announced, after being ordered to do so by the court, that at this stage, he did not see fit to institute proceedings; evidentiary hearings in the proceedings were held in November 2022. On December 10, 2023, the movant filed summaries on its behalf, and in accordance with the court's decision, the respondents and the movant must submit summaries and response summaries during 2024, and by June 7, 2024. The Partnership believes, based on the opinion of its legal counsel, that it is more likely than not that the appeal will be dismissed.

(g) On May 3, 2021, Haifa Port Ltd. (hereinafter, in this section - "**Haifa Port**") filed a claim against Chevron, Coral Maritime Services Ltd. (hereinafter in this section - "**Coral**"), and Gold Line Shipping Ltd. (hereinafter in this section - "**Gold-Line**"), in an amount of approx. NIS 77 million (hereinafter - the "**Primary Claim**"). According to Haifa Port, direct unloading of cargo in the area of the Leviathan platform, as performed by Chevron, without first unloading such cargo at one of Israel's ports, is unlawful and performed to evade mandatory payments to the port, causing financial loss for the port. According to the statement of claim, as from July 2018 onwards, Chevron unloaded cargo directly, while declaring to the Israel Tax Authority that Haifa Port is the 'unloading port', even though the cargo that was unloaded did not, in fact, pass through Haifa Port. The claim against Coral and Gold Line is that at the relevant times, they served as shipping agents for Chevron. The Haifa Port alleges that they thus were required to pay offloading fees on Chevron's behalf.

On August 31, 2021 Chevron filed a statement of defense and on December 1, 2021, Haifa Port filed a response. At the same time, Chevron filed a statement of counterclaim against the Haifa Port, at the total amount of NIS 4,405,842, comprising a claim for NIS 715,691 in respect of offloading fees and infrastructure fees that were charged in practice and unlawfully by the Haifa port, and a claim for NIS 3,690,151 in respect of berthage fees Chevron was charged for and which was not reduced by 30% in violation of the law, in case of self-pilotage of vessels that passed in the port's premises. On December 1, 2021, Haifa Port filed a statement of counter-defense.

A pre-trial hearing was held on September 11, 2022, in which it was decided that the parties will conduct negotiations in order to reach understandings on the completion of the preliminary proceedings. If the parties fail to reach such understandings, motions will be filed accordingly. Despite the attempt to reach understanding, the parties filed mutual motions regarding the preliminary proceedings. On July 8, 2023, and July 18, 2023, the court dismissed the parties' motions regarding the preliminary proceedings, and moreover, scheduled a pre-trial hearing for June 4, 2024.

Note further that on April 3, 2023, the Haifa Port filed a motion to dismiss the counter-claim *in limine*, claiming lack of privity between it and Chevron, because the invoices and berthing charges were paid by an agent, and on June 21, 2023, the court dismissed that motion, and also imposed costs.

The Partnership believes, based on the opinion of its legal counsel, that it is more likely than not that the Primary Claim will be dismissed.

(h) On May 31, 2022, the Partnership filed a monetary claim against Energean in a total amount of USD 65.1 million, plus statutory linkage differences and agreed annual interest differences at an annual rate of 4.6% (hereinafter in this section - the "**Lawsuit**"). As part of the claim, the Partnership argues that in accordance with the provisions of the agreement for the sale of the rights in the Tanin and Karish leases to Energean, if the latter obtains the financial closing by Energean (hereinafter - the "**Financial Closing**") for the costs of the first phase of the approved development plan of the Karish and Tanin leases plus the entire financial consideration (100%) for the Sold Asset as set out in the Sale Agreement (USD 148.5 million), Energean will be required to pay the balance of the consideration - a total of USD 108.5 million in cash effective immediately (hereinafter - the "**Outstanding Consideration Amount**"). A pre-trial hearing on the lawsuit was held on April 19, 2023, and in accordance with the decision made therein, on May 10, 2023, the parties filed a joint notice to the court regarding their consent to go into mediation, without delaying the adjudication of the lawsuit because of this.

On August 13, 2023, the court approved an agreed arrangement of hearings between the parties, under which, among other things, a pretrial hearing was set for December 7, 2023. On November 5, 2023, the validity of a judgment was given to the agreements reached between the parties according to which Energean will pay the Partnership a total of approx. USD 47.4, in two installments, which constitutes the entire balance of the consideration plus agreed annual interest. The above constitutes full and final settlement of the claims of the parties in respect of the disputes are the subject of legal proceedings.

(i) On December 3, 2023, a motion was filed against the Partnership by a party that holds participation units in the Partnership (hereinafter, in this section - the "**Movant**"), pursuant to Section 65M of the Partnership Ordinance and Section 198A of the Companies Law, to issue an order for discovery and review of documents prior to bringing a derivative claim against the General Partner; Mr. Yossi Abu, the CEO of the General Partner; and the members of the General Partner's Board of Directors (including the Compensation Committee members) during the relevant period (hereinafter - the "**Discovery Motion**"). Briefly, the Discovery Motion is based on the allegation that Mr. Abu's current terms of office and employment were authorized by the Compensation Committee and the Board of Directors, in an overruling and despite the opposite position held by the general meeting of participation unit holders, in contravention of the law, in breach of the duties of care and the fiduciary duties that apply to the members of the Board of Directors, and in breach of Mr. Abu's duty, as CEO of the General Partner, to act in the Partnership's best interest. In the Discovery Motion, it was claimed that the authorization of Mr. Abu's terms of office and employment in an overruling was done while the required conditions under the Partnership Ordinance were not met; that there was no sufficient renewed discussion of Mr. Abu's terms of office and employment, and that no reference was made within it to the general meeting's objection; and that the reasons the Board of Directors provide did not even mention the fact that the general meeting had denied the authorization of Mr. Abu's terms of office and employment.

Note that near the date of filing the Discovery Motion, the Movant submitted a notice to the court on additional motions for discovery and review of the documents prior to filing a derivative claim filed by him or his counsels, based, according to him, on a "similar set of facts," against other respondents: Delek Group Ltd. (Derivative Claim 58205-11-23); Electra Ltd. (Derivative Claim 50050-11-23), Matrix I.T. Ltd. (Derivative Claim 60805-11-23); and Scope Metals Ltd. (Derivative Claim 47021-11-23) (hereinafter - the "**Additional Proceedings**").

On December 6, 2023, the court ordered the parties to the Additional Proceedings to consider consolidating the hearings by choosing a lead case (hereinafter, the "**Lead Case**") to which the decision on all the Additional Proceedings would be made subject; or in any other way (the "**Procedural Consolidation**"). On January 8, 2024, the Movant notified the court of his consent to the Procedural Consolidation, and at the same time, the Partnership submitted its objection to the Procedural Consolidation to the court, among other things, because these are different and separate proceedings that concern other decisions, made by other entities, on other officers' terms of office in other corporations; and that under these circumstances, consolidating the proceedings is unlikely to simplify and streamline the discussion of the proceedings, and there is no fear of conflicting decisions on the cases, as required by law to consolidate hearings on parallel proceedings. To the best of the Partnership's knowledge, the respondents in the Additional Proceedings objected to the proposed Procedural Consolidation as well.

In accordance with the court's decision, the Partnership must submit its response to the Discovery Motion by April 2, 2024.

The Partnership believes, based on the opinion of its legal counsel, that it is more likely than not that the motion for discovery will be dismissed.

1.7.28 **<u>Objectives and business strategy</u>**

(a) <u>General</u>

The Partnership's goals, and accordingly its business strategy, is to realize the economic potential of its natural gas assets in and outside Israel, along with examining the acquisition of additional natural gas assets and is exploring possibilities of using new technologies aimed at streamlining the natural gas production and utilization activity while upholding ESG values. The strategy is implemented mainly by seeking to exhaust the production and sales potential of Phase 1 - First Stage and promoting the development of Phase 1 - Second Stage, improving the production and operation of Leviathan Reservoir, promoting the development of the Aphrodite Reservoir, as well as pushing ahead with opportunities to utilize, own, develop and expand the natural gas pipeline infrastructure from the Partnership's oil assets to the domestic market and export markets, including in LNG form, in accordance with the ESG policy adopted by the Partnership, in order to maximize value for the Partnership's interested parties.

For this purpose, the Partnership operates, among other things, to increase the demand for natural gas by expanding and integrating the use of natural gas on the domestic market and by exporting natural gas via pipelines and/or by liquefaction and/or compression of natural gas and marketing on global markets, taking into account the government's policy on the matter.

In addition, the Partnership is acting to exploit the potential of the gas and/or oil discoveries in its oil assets and/or in new licenses in Israel and/or overseas, if it engages in transactions for acquiring oil assets and/or if they are awarded. Concurrently, the Partnership explores business opportunities related to its operating segments in and outside Israel, including the possibility of entry as a partner in oil assets at various stages of exploration, development and production, and also examines technological developments related to its operating segments.

Furthermore, in order to achieve zero-emissions targets from the Partnership's assets, due to the changes in the energy industry, government policy in Israel and developed countries is to encourage switching to electricity generation using alternative energies, the Partnership is exploring possibilities of investing in the field of alternative energies. In this context, the Partnership entered into an agreement with Enlight, as stated in Section 1.7.10 above, and is also considering entering into the field of blue hydrogen, in a way that could be a low carbon alternative for energy consumers, as stated in Section 1.7.3(c) above.

(b) **<u>Natural gas</u>**

The Partnership will continue to take measures to realize the economic potential of its natural gas assets, while examining the acquisition of additional assets, including:

(1) <u>Leviathan Project</u>

A. Ensuring the supply of natural gas and condensate from the Leviathan Reservoir according to agreements signed, and negotiating and entering into additional agreements for the supply of natural gas and condensate to various potential consumers in Israel and countries in the region, primarily Egypt and Jordan.

B. Promoting the development of Phase 1 – Second Stage and increasing the maximum daily production capacity by up to approx. 2,350 MMCF (up to a total of approx. 21 BCM per year), with the aim of making a final investment decision (FID), for consumers in the domestic market, the regional market, and primarily – the Egyptian market and the LNG markets, by expanding the transmission capability (as specified in Section 1.7.14(b)(1) above).

C. Moving ahead with examining formulation of an exploration prospect for oil purposes in the Leviathan leases.

(2) <u>Block 12, Cyprus</u>

Promoting the development of the Aphrodite Reservoir in Cyprus, as stated in Section 1.7.5(f) above

(3) <u>Optimization of infrastructures</u>

The Partnership is exploring, together with its partners in the different oil assets and other infrastructure owners, options for optimization of the existing infrastructure to the different projects, including joint transmission infrastructure to export natural gas to various target markets, among other things, for the purpose of reducing construction and transmission costs as well as increasing the feasibility of promoting different projects. For information about the possibilities of transmitting the gas to Egypt under review by the Partnership, see Section 1.7.14(d) above.

(4) <u>Oil and gas exploration</u>

Continuation of the natural gas and oil exploration in the Partnership's assets and identifying business opportunities in new oil assets, mainly in countries in and around the Mediterranean Basin. Within this, the Partnership signed agreements on exploration and production activities in the Boujdour license in Morocco, and it was also awarded licenses in Cluster I in the area of Blocks 4, 5, 6, 7, 8, and 11 in the Mediterranean Sea, in Israel's EEZ. For further details, see Sections 1.7.8 and 1.7.9 above.

(5) <u>Increasing the demand for natural gas</u>

The Partnership is acting to increase demand for natural gas, among others, as follows:

A. <u>Transportation</u>: The Partnership is working to promote projects for increasing the use of natural gas for transportation, including for compressed natural gas driven public transport and trucks, and increasing the use of natural gas for electricity generation for electric-driven means of transportation such as buses, trains and electric cars in the Israeli transportation market. In the opinion of the Partnership, the scope of converting means of transportation is expected to increase by approx. 2.3 BCM by 2030.

B. Conversion of coal-fired power plants to natural gas: The Partnership estimates that continuation of the government's policy to reduce the use of polluting coal for generating electricity, including the cessation of all coal-fired electricity generation in favor of switching to natural gas for generating electricity, is expected to increase natural gas consumption in Israel by significant amounts, estimated at approx. 4.3 BCM per year.

C. Additional industries: To the best of the Partnership's knowledge, various entrepreneurs are testing and promoting projects in Israel, in industry where natural gas is used as a raw material, such as the production of ammonia, hydrogen and methanol, as well as in energy-intensive industries. The Partnership estimates that the establishment of plants in Israel in these industries, if they are established, may lead to a significant increase in the volume of local natural gas consumption.

(c) **Alternative energies**

(1) Renewable energies

The Partnership is exploring the possibilities of investing in renewable energy projects as part of the collaboration with Enlight, as specified in Section 1.7.11 above.

(2) Production of hydrogen

The Partnership is examining a blue hydrogen project in which natural gas is split into hydrogen and CO_2, while the CO_2 is captured and stored in dedicated underground storage sites or connected in various ways to underground rock or seawater or used to manufacture various products. It should be noted that hydrogen is currently considered one of the main foundations for the existence and prosperity of a low-carbon economy.

(d) **ESG**

The Partnership strives to realize the potential of its main assets, the Leviathan and Aphrodite Reservoirs, responsibly and efficiently for the purpose of developing the best value for interested parties, while actively maintaining its ESG values.

The Partnership and the other Leviathan Partners are holding discussions with stakeholders, especially the Government of Israel, on the optimal development plan that would balance the technical, national, commercial, environmental, and social considerations.

In this context, it is noted that, although natural gas is a fossil fuel and a perishable resource, demand for it is expected to rise in the coming decades, especially in the Middle East.

The Partnership is increasing its activity in order to discover additional resources and meet the growing demand, both in the Mediterranean and along the North African Coast. The Partnership recognizes that natural gas is a transitional fuel, and therefore, it is working to expand its activity in the renewable energy segment, and moreover, it is promoting its clean energy technology capabilities, such as hydrogen.

(e) The scope and diversity of the Partnership's operations requires investment of substantial financial means, among others, to establish and deepen its commercial, technical, financial, legal, regulatory know-how and abilities, etc. Therefore, the Partnership intends to consider using the range of means available to it for raising capital, by way of raising debt and/or equity, in addition to using future surplus revenues from the Leviathan Project and its surplus cash.

It is clarified that the Partnership's abovementioned goals and strategy through the Partnership are general intentions and goals, and therefore, there is no certainty that they will be realized, among other things, due to changes in market conditions, geopolitical changes, regulatory and tax law changes, changes in priorities due to the results of the operations in the Partnership's projects, as well as other developments, unforeseen events, and the risk factors set out in Section 1.7.30 below. It is further clarified that realization of the above goals and strategy is subject to approvals by the competent organs of the Partnership, some of which have not yet been provided, including the general meeting of the unit holders, as well as approvals from third parties.

1.7.29 **Insurance coverage**

From time to time, the Partnership purchases insurance policies as is customary in the energy sector for exploration, development and production of natural gas, with the changes as required in the law, regulation (in Israel and abroad), the terms and conditions of the licenses and leases, requirements of the financing entities and the scope of the Partnership's activities and exposures in Israel and abroad.

Part of the insurance cover is made under collective policies that include a number of policyholders and cover the assets and liabilities in their various activities of the Partnership, and this only against some of the possible risks, as is customary for exploration, development and production of natural gas and its products, all subject to the provisions in this section. The insurance cover also covers, inter alia, expenses for loss of control of well, property damage and certain consequential losses, contracting work risks during the development of the assets (including during maintenance work related to the development of the Leviathan Reservoir) and third party liabilities for bodily injury and property damage due to drilling, construction and production operations, including pollution damage caused by accident (except for a gradual contamination damage).

It should be noted that the Partnership and Chevron purchased insurance cover for physical damage to EMG's property under an all-risk policy as well as in a policy for insurance of war and terror risks. Furthermore, the Leviathan Partners have taken out insurance coverage for interruptions in the supply of gas caused by physical damage to the Egyptian transmission pipeline in Sinai, due to acts of war and/or terror.

Some of the insurance policies listed above were drawn up independently and some as part of the Operator's insurance policies. Some insurance policies are subject to mortgage agreements and assignment of rights according to financing agreements that are engaged from time to time.

In addition, that from time to time, the Partnership monitors changes in the value of the policyholder's property and amounts of consequential damages due to damage to the insured property and/or due to the property of the customer and/or supplier, to adapt the scope of insurance purchased to the exposure relative to the cost of the insurance and the insurance available internationally for the energy sector; consequently, the Partnership can decide to change and/or reduce the coverage purchased and/or the amount of the insurance purchased and/or can decide not to purchase any insurance for one risk or another.

It is further noted that the Partnership engaged in an agreement with the Company, under which the Company provides performance collateral in favor of the Republic of Cyprus for the Partnerships' operations in Block 12, as set out in Section 1.7.5(c)(14) above. As a precondition for providing the foregoing collateral, the Partnership was required to purchase additional insurance to sufficiently satisfy the Company during the drilling stage, in connection with third party liability insurance and expenses pertaining to loss of control of well, including cover for bodily injury and property damage and cleaning costs incurred from accidental pollution risks.

For further information regarding the risks due to the absence of insurance coverage, see Section 1.7.25(l) below.

1.7.30 **Risk factors**

Other than the risk factors to which the Company is exposed as set out in Section 1.21 below, the Company's operations in the energy sector are exposed to the following risks:

(a) <u>The Iron Swords War</u>

As at the report approval date, the Iron Swords War against the Hamas terror organization in Gaza is continuing at varying intensity, and the war on the northern front against the Hesbollah terror organization is also continuing, and there is a great deal of uncertainty regarding the development and results of the war. There is a risk of the escalation of the War on the northern border or to other fronts and is impossible to assess the effect of the War on the operations of the Partnership, mainly regarding continuation of regular production from the Leviathan Reservoir and marketing of the gas to export customers and the local market.

The natural gas rig, onshore and offshore production and transmission facilities, and other essential infrastructure systems in Israel and the export countries may be a target for missile fire and terror acts, and damage to them, if any, may cause more substantial harm and disrupt or shutdown the production and/or transmission operations for a period and to an extent that may be significant. In such cases, the insurance policies purchased by Chevron and the Partnership may not be sufficient to cover the damage and losses incurred by the Partnership. In this regard, it should be noted that there is a risk that upon renewal of the insurance policies, mainly in connection with war and terror, it may not be possible to purchase appropriate policies under reasonable commercial terms or at all. Another risk from the War is damage to the receiving facilities of condensate, the byproduct of natural gas production, from the Leviathan project. It should be noted that in the Partnership's estimation, the risk of events of this type may to a large extent be exacerbated in the event of escalation of Israel's northern front. If the War escalates, the risk of the government imposing restrictions on regular production operations from the Leviathan Reservoir and/or Tamar and/or Karish Reservoirs may also increase. Restriction or suspension of production from the Tamar and/or Karish Reservoirs is expected to require the Leviathan Partners to increase the local market supply quantities, mostly on account of exports to Egypt.

In addition, in view of continuation of the War, the geopolitical risk has increased in connection with natural gas exports from the Leviathan Reservoir under the exports agreements, which constituted most of the Partnership's income in 2023.

Furthermore, in the event of significant exacerbation of the security situation that leads to early termination of the export agreements, unrepaired physical damage to the Leviathan project, or other events that could reasonable cause a material negative effect, subject to cure periods, qualifications and conditions, there is a risk of breach of the terms of the debentures of Leviathan Bond Ltd., which are secured by the Partnership's interests in the Leviathan project and listed on the TACT-Institutional of the Tel Aviv Stock Exchange Ltd., that may grant the holders of Leviathan Bond Debentures cause to call for immediate repayment and realize the collateral. Furthermore, it should be noted that an increase in the yield on debentures following developments in the War could adversely affect the Partnership's ability to raise further debt and increase the finance costs of raising further debt.

(b) Epidemic outbreaks

The Covid-19 crisis, which began in 2020, affected the global economy in general, and the energy sector in particular. As of the report approval date, the coronavirus morbidity rates are significantly lower than they had been in previous years, and the pandemic's effects on the economy and the energy sector are extremely limited. However, it is possible that another coronavirus outbreak will occur, or that other epidemics will break out, that might have a significant impact on financial markets, interest spreads, currency rates, and energy commodity prices, in a way that may harm many industries, including the energy sector in which the Partnership operates, like the effects of the outbreak of the Covid pandemic, or even more severe effects. As of the report approval date, it is impossible to estimate the probability that such risks will materialize.

(c) Inconsistencies in the linkage components in the natural gas price formulas in the supply contracts

The agreements for the supply of natural gas fix the price of gas according to price formulas that include various linkage components, including linkage to the Brent price per barrel, to the electricity generation tariff, to the NIS/USD exchange rate, to the demand side management tariff published by the Israel Electricity Authority, and to the refining margin index. In all natural gas supply agreements that the Partnership has entered into, excluding agreements with non-linked fixed prices, price floor limits were set alongside the price formulas, that limit to a certain extend the exposure to volatility of the linkage components. However, there is no certainty that the Partnership will also be able to set such price floors in new contracts that it will sign in the future.

Furthermore, a decrease in Brent prices and/or a decrease in the electricity generation tariff and/or an increase in the NIS/USD exchange rate (devaluation of the NIS against the USD), may adversely affect the Partnership's income from existing and future gas sales agreements.

It is noted that the frequent methodology changes made by the Electricity Authority in the method of calculation of the power generation tariff makes it difficult to forecast and could lead to dispute between the gas suppliers and customers regarding the method for calculating. It is noted in this context that, for some of the IPPs (including plants sold by the IEC, the Israeli Electricity Authority has applied regulation referred to as SMP (System Marginal Price), according to which the wholesale electricity price is determined every half an hour according to the marginal cost of production of an additional KW/-hour in the sector, based on half-hour tenders conducted by the power grid manager between the various IPPs, every day. This pricing method may affect the prices of natural gas to be sold by the Partnership to the IPPs in the domestic market, in the event that the gas prices in future contracts are linked to such pricing.

(d) Changes in demand for and prices of energy products

The demand for natural gas of the Partnership's customers and its price are affected, among other things, also by significant changes in the prices of oil, natural gas, including LNG, and of other sources of energy, including coal, renewable energy sources and other substitutes to the natural gas sold by the Partnership, both in the domestic market and global markets. Consequently, for example, low LNG prices in global markets may lead to an increase in the import of LNG to Israel and/or to the regional markets, to a decrease in demand for natural gas in the markets relevant to the Partnership, and harm the Partnership's revenues from the Leviathan Reservoir. An increase in supply, decrease in demand or decline in the prices of alternative sources of energy to natural gas, including coal, renewable energy sources and other substitutes) in the domestic market or in the global markets may reduce demand from existing and potential customers and lead to a drop in the price of the natural gas sold by the Partnership, which may adversely affect the Partnership, its financial position and the results of its operations.

In addition, reforms and decisions relating to the electricity sector, including changes in environmental laws, may also reduce the demand for natural gas sold by the Partnership and/or affect its price.

In addition, major events in the global economy, such as wars, conflicts and military confrontations - whether local or regional, economic slowdown, recession, inflation, irregular volatility in foreign exchange rates, trade wars, impairment of the efficient functioning of the global manufacturing and supply chains in general, and in the segments of engineering, manufacture and supply of components for the oil and gas industry in particular, as well as weather conditions, including global warming, the outbreak of epidemics such as Covid-19, and natural disasters, may also reduce the demand for the natural gas sold by the Partnership and/or affect its price and/or adversely affect the Partnership's revenues from existing and future gas sale agreements, as well as decisions concerning investment in new natural gas projects and/or expansion of existing projects.

(e) Global macroeconomic factors

The Partnership's ability to sell natural gas from its assets, and to sign new long-term agreements for the sale of natural gas, and to make investment decisions with respect to new natural gas production projects and/or expansion of existing projects, is dependent, among other things, on various global macroeconomic factors or major events in the large economies, such as the U.S., China and the EU. Macroeconomic factors that may have a significant impact on the Partnership's business include, among other things, wars, disputes and military conflicts - whether local or regional, changes in growth rate or a global economic slowdown, global recession, global inflation, irregular volatility in foreign exchange rates, the global trade situation, a rise in interest margins, efficient functioning of the global manufacturing and supply chains in general, and in the engineering, manufacture and supply segments of components for the oil and gas industry in particular, such as damage inflicted on vessels heading to Israel by Houthi rebels, climate and weather changes, including global warming - which contributes to the creation of warmer-than-expected weather conditions, as well as trade wars, such as the US-China trade war, which has led to a slowdown in economic activity; natural disasters, the outbreak of epidemics such as the Covid-19 pandemic, and global political and social processes that could destabilize regimes. Global macroeconomic factors of this type, which in most cases are unforeseeable, may cause significant harm to the global economy, increase uncertainty in the markets, unravel the confidence of investors, the business community and consumers, and result in a decline in global consumption of energy products, including oil and natural gas, and make it difficult to refinance.

Accordingly, in 2023, the Partnership's activity and its results were affected by a range of factors, including the changes in energy prices due to the war in Ukraine, and the global increase in inflation rates, and consequently interest rate hikes by central banks across the world. For information about the effects of these events on the Partnership's activity. For information about the effects of these events on the Partnership's activity, see Section 1.7.3(d) above.

It is noted that, naturally, the Partnership is unable to influence factors of this type and is difficult to assess and estimate how such factors will evolve and affect the Partnership's business.

(f) Geopolitics

The security, economic and political situation in the Middle East in general and in Israel, Egypt, Cyprus and Jordan in particular, could affect the willingness of the countries and foreign entities, including in the Middle East, to engage in business relationships with Israeli organizations, including the Partnerships together with their partners in the various projects. Consequently, deterioration in the geopolitical situation in the Middle East and/or deterioration in the relationships between Israel and its neighbors in the relevant target markets, for security and/or political and/or economic reasons, may substantially impair the Partnership's revenues from its agreements for the export of gas to Egypt and Jordan, i.e. to Blue Ocean and NEPCO, which are its main customers, and also the Partnership’s ability to promote its business with these countries and entities, and to export gas to neighboring countries.

(g) Difficulties in obtaining financing

In order to make progress in additional development stages in the development of the Leviathan Reservoir and/or the development of additional reservoirs in the future, such as the Aphrodite Reservoir, if it is decided to implement them, the Partnership may be required to raise additional capital or financing, including through by raising bank debt or debentures by way of a private or public offering.

It should be noted that a further capital raising or withdrawal of credit from the credit facilities as stated in Section 1.7.12(c) above, might be difficult, especially due to the global economic crisis, one of the consequences of which is a reduction in levels of available credit, tighter requirements by the funding entities in connection with the provision of credit, and interest rate hikes by central banks across the world, which may affect the Partnership’s finance expenses.

(h) Competition for gas supply

The Partnership is exposed to competition in the supply of natural gas to the domestic market and to export markets, including competition with existing competing gas reservoirs, or new reservoirs that may be discovered in the future in Israel or in neighboring countries, and the competition posed by alternative energy sources such as coal, liquid fuels (such as diesel oil and fuel oil) and renewable energy sources (such as solar energy and wind generated energy). Intensification of competition may lead to a decline in the demand for and price of natural gas that are set in new supply agreements, which may have a material adverse effect on the Partnership’s revenues and business.

In recent years, several significant gas reservoirs have been discovered in Israel, which are far greater than the Ministry of Energy's estimates for demand for gas in the domestic market. In Egypt and Jordan, to which the Partnership exports natural gas under the Blue Ocean and NEPCO supply agreements, the Partnership is exposed to competition that may intensify in the future from reservoirs that have been discovered (in Israel and the area, such as the Zohr natural gas field in Egypt) or new reservoirs to be discovered in the future, as well as from suppliers of alternative energy products.

In addition, the Tamar Reservoir and its partners compete with the Partnership in the domestic and regional market, and the Karish lease and its partners compete with the Partnership in the domestic market.

As at the date of approval of the Report, the gas produced from the Leviathan Reservoir was jointly marketed by all of the Leviathan partners. However, under the JOA each partner is entitled, subject to certain conditions, to take its share of the gas produced from the reservoir and market it separately from the other partners, which, if it occurs, may lead to increased competition.

In view of the increased scope of demand for natural gas in the local market, the entry of other competitors to the domestic gas market and the restrictions on the quantity of gas that may be exported and incentives given for the development of renewable energy sources, the Partnership may encounter significant competition in selling the gas attributed to its oil assets in the future. For further information concerning the competition in the area of area of activity, see Section 1.7.16 above.

(i) Export restrictions

The Partnership's operating results are dependent, to a great extent, on the possibility of exporting gas from the Leviathan Reservoir and selling it in regional and international markets. The government resolutions concerning export, as set out in Section 1.7.12(h) above, restrict the volume of gas that may be exported. Therefore, if an additional decision is made regarding further restrictions on the permitted exportable volume of natural gas, it could cause significant harm to the Partnership's business.

It should be noted that in case of a decline in the ability to supply natural gas from the Tamar Reservoir and/or the Karish lease, mainly in peak-time months, in which demand to natural gas in the domestic market and in export markets exceeds the volumes that may be produced from the Leviathan, Tamar and Karish Reservoirs, the Leviathan Partners may have to meet the demand in the domestic market at the expense of the quantities earmarked for export. For information about the amendment to the Export Agreement to Egypt, see Section 1.7.13C(3) above.

Furthermore, the possibility of gas export and sales depend on several factors with high uncertainty, such as the foreign relations of the State of Israel and the Republic of Cyprus with countries that are potential target markets for exporting of gas, the establishment of an export and transportation system and receipt of relevant regulatory approvals, and the proper functioning and economic viability of establishing this system, identification of potential customers in the international market, and financing investments in development and establishment of the export system, and competition with local and international suppliers in the relevant target markets.

(j) Dependence on the development and proper function of the gas pipelines

The Partnership's ability to supply the gas produced from its assets to existing customers and other potential customers in Israel and for export, is dependent, among other things, on the development and integrity of the National Gas Transmission pipeline, the regional distribution networks and pipelines connecting consumers in neighboring countries (hereinafter in this section, jointly - the "**Pipelines**"). Any significant malfunction or disruption in the Pipelines that it uses and/or that it will use in the future, may limit the Partnership's ability to supply gas to its customers, while exposing it to loss of revenues and legal proceedings that may have an adverse effect on the Partnership's business and the results of its operations. Furthermore, any delay in executing the development and expansion plan for the gas pipelines system might impair the Partnership's ability to meet its obligations to its customers and its forecasts relating to its natural gas sales.

(k) Operating risks

Exploration, development, production and decommissioning of oil and natural gas assets, especially in deep water, involve numerous risks, including, among others, uncontrolled gushing from the well, explosion, collapse and conflagration of the well, malfunctions, accidents and other events that could impair the performance of the production and delivery systems. Lower than expected performance or efficiency, contractor or operator mistakes, work disputes or slowdowns, injuries, harm to health or fatalities, delay or failure in obtaining permits, failure to obtain approvals or permits, violation of requirements for permits or licenses, lack of workforce, equipment or spare parts, delays in transporting equipment or spare parts, security breaches, and cyber attacks or acts of terror, as well as natural disasters. The occurrence of any such events, may substantially reduce or completely halt the production or supply of natural gas, adversely affect the operating timetables and budgets, impair the quality of the hydrocarbons sold, and as a result lead to the imposition of penalties due to non-compliance with the terms and conditions of the agreements, and even the termination of the Partnership's existing gas sales agreements.

In addition, drilling, supplementary drilling, and sealing deep-water wells requires specialized technologies and equipment, and they usually take longer and cost more than their onshore counterparts, due to the substantial complexity of that activity and the need to have and maintain long supply systems. In light of this, this activity is exposed to significant challenges and risks.

(l) Inadequate insurance coverage

Although the Partnerships have insurance policies to cover possible damages with regard to their operations, these policies do not cover all potential risks and therefore the insurance payout may not cover the full scope of damages and/or all potential losses (for third-party damages (including while crossing over infrastructures) and for potential loss of income, as well as costs for the establishment and rehabilitation of the production system in the case of an event that causes damage to the production system, war, cyber, out-of-control well and damage to any property in the well). Note that the Partnership's insurance function includes, among other things, certain coverage for the Partnership's holdings in the Leviathan Project, against physical damage and the loss of profit associated therewith, due to the risks of political violence, including war and terrorism risks. The policy covers property damage beyond the coverage the Partnership is entitled to receive from the state under the Property Tax and Compensation Fund Law, 1961, as well as certain coverage for loss of income for a certain period. That coverage is renewed from time to time and is subject to its availability in the insurance market at reasonable terms. It is further noted that the insurance policies the Partnership purchased do not cover loss of income due to the production being halted following the issuance of a binding regulatory instruction, like the Tamar Partners had received after the Iron Swords War was declared. For more information about the effect of the Iron Sword War on the Partnership's insurance function, see Paragraph (a) above. In addition, there are certain insurance coverages that the Partnership may decide not to purchase at all, for various reasons, such as lack of financial feasibility, as well as, deep-water drilling that requires the use of advanced drilling technologies, often requiring more time and higher costs than the onshore equivalent, due to the considerable complexity of such operations and the need to hold and maintain extensive supply systems.

In addition, the Partnership's activities in Jordan expose the Partnership to risks that cannot be insured at all or can only be insured partially, including, among others, for damage to property of a supplier and/or customer and/or breach of agreements and cancellation of agreements for grounds forbidden under the agreement and/or a change in legislation and/or guidelines of competent authorities in Jordan and Egypt, which may harm the Partnership's businesses and property.

Consequently, in the event of a large-scale loss or damage, the insurance amounts may not cover the full amount of the damages incurred by the Partnerships and/or third parties, including while crossing infrastructures, and with respect to environmental pollution damage. These risks, if realized, may cause delays and setbacks in the Partnership's exploration, development and production operations, damage to the Partnership's business or have a material adverse effect on the Partnership's business, financial position, results of operations or forecasts, and in extreme cases may even cause the Partnership to default payment. It is noted that the decision regarding the type and scope of insurance policy is usually made separately for each operation, taking into account, inter alia, the type of prospect in which the drilling is expected to take place, the cost of insurance, nature and scope of the proposed coverage, regulatory requirements, ability to obtain appropriate cover on the insurance market, available capacity for the Partnership and Project in the insurance market, as well as the anticipated risks.

(m) Establishment risks, dependence on contractors, and providers of equipment and professional services

Currently, there are no suitable contractors and suppliers in Israel that can carry out the key operations conducted in the Partnership's assets, such as deep-sea drilling, and production and installation of subsea natural gal infrastructures; therefore, the Partnership engages - through the Operator - with foreign contractors for that purpose. Furthermore. the supply of equipment required to conduct those operations, such as drill ships, or ships used to install pipes in the sea or a crane rigger for the building of platforms, is small, and therefore, it is uncertain whether such equipment will be available to conduct such operations on the dates scheduled for that purpose. Therefore, different operations could involve higher costs than planned and/or significant delays in schedules set in the work plans. Furthermore, due to the low availability of dedicated equipment and the manpower that operates it, one is required to engage them far in advance, which adds to the complexity of the project, and might even make it significantly more expensive. The Partnership's activity, including its ability to engage foreign contractors and the ability of such contractors to execute the engagement therewith might encounter challenges also due to the political and security situation in Israel, specifically - the Iron Swords War. It is noted that the price of services and costs of exploration, development, production and decommissioning operations is determined by market supply and demand, which are affected inter alia by commodity prices, regulatory changes, the supply of alternative products and the level of activity in the industry.

(n) Exploration risks and dependence on partial and estimated assumptions, assessments, and data

Exploration activities of oil and gas reservoirs involve high levels of risk, mainly since the geological and geophysical means do not provide an accurate picture regarding the location, form, characteristics or size of the underground, and therefore exploration work may conclude with findings that do not lead to commercial development and production.

The quantity of resources in the Partnership's assets in general, and in the Leviathan Project in particular is assessed continuously and revised from time to time, based, among other things, on production data and other data that was accumulated through the Operator, an independent appraiser of reserves, and the Ministry of Energy. The process of assessing the volumes of the resources is subjective and based on various estimates and assumptions and on incomplete information, and therefore the estimated reserves with respect to those reservoirs by various experts could be significantly different.

In view of the aforesaid, it is noted that the information appearing in the Report with regard to the volumes of resources attributed to the Partnership's oil assets is an estimate only and should not be considered as information on exact volumes of recoverable natural gas from the various reservoirs. It is further noted that, the estimate of the quantity of natural gas resources is used for setting the amortization rate of the producing assets in the Partnership's financial statements, and in view of the significance of the depreciation of assets, the foregoing changes may have a material effect on the results of the operations and financial position of the Partnership.

In addition, the discounted cash flow figures that are attributed to the Leviathan Project and are included in this report are based on various assumptions, most of which are not in the Partnership's full control, among others, with regard to the volumes of gas and condensate that will be produced, and the production rate, and sales and sale prices, regarding which there is no certainty that they will materialize. For further information concerning the key assumptions underlying the Leviathan project cash flows, see the Leviathan resources report included in this report by way of reference.

(o) Estimated costs and schedules and potential shortage of means

Estimated costs and schedules for exploration, development, operations and maintenance, and estimated schedules for their execution, are based on past experience and general forecasts and they could therefore contain significant variances, including due to events not in the Partnership's control. In addition, exploration and development plans could change significantly due to the discoveries made in such explorations, causing significant deviations in schedules and estimated costs of these operations. In addition, malfunctions during exploration, development, operation or maintenance could extend the operations far beyond schedule and actual expenses for completing such operations could be significantly higher than forecast.

(p) Forfeiture of the Partnership's rights in its oil assets and the financial robustness of the partners in the oil assets

Exploration, development, expansion and maintenance of the supply capacity in the Partnership's oil assets involve substantial financial costs that the Partnership may not have the means to cover. According to joint operating agreements, failure to pay the Partnership's share in the approved budget for executing the approved work plan on time constitutes a breach which could lead to forfeiture of the Partnership's rights in the oil asset for which the operating agreement and/or agreements that applies and/or apply.

In addition, in a situation where other parties to the JOAs fail to pay the amounts that they were required to pay, the Partnership may be required to lay out amounts that considerably exceed its pro rata share in such oil assets. Due to the particularly high costs of offshore drilling and development, such additional costs could prevent the Partnership from meeting its financial liabilities, resulting in forfeiture of its rights in the oil assets.

In view of the forgoing, the financial robustness of the partners in the Partnership's oil assets may have repercussions, among other things, on its cash flows.

(q) Dependence on other regulatory approvals

The exploration, development, production and decommissioning operations in the Partnership's oil assets require that it obtain numerous regulatory permits, primarily from the competent authorities pursuant to the Oil Law and Natural Gas Sector Law, as well as permits from state institutions, including the Ministry of Energy, Ministry of Environmental Protection, Ministry of Defense, Israel Tax Authority, various planning authorities, Ministry of Agriculture, Ports Authority and Ministry of Transportation (hereinafter in this Section - the "**Approvals**"). The Permits required for the ongoing operation in the oil assets set out valid terms and conditions, a large part of which are not in the control of the Partners. A breach of these terms and conditions could lead, among others, to cessation of production from the on-production reservoirs, imposition of restrictions on various operations and expose the partners in the oil assets to monetary, administrative and punitive sanctions. It is noted that the partners in the oil assets have no control regarding the new licenses that might be required in the future or the conditions that will be set in them and therefore there is no certainty that they will be able to obtain the required approvals or comply with their conditions.

(r) Regulatory changes

As a rule, the scope of regulation applicable to the Partnership's operating segment is constantly growing.

The tightening of the regulation applicable, inter alia, to oil and gas exploration, development, production, marketing and decommissioning of gas and oil reservoirs and facilities, terms for supply of natural gas, natural gas exports, taxes on oil and gas profits, regulations for allotting new petroleum rights, transferring and pledging petroleum rights, insurance coverages and guarantees, restrictive trade practices, control of gas prices, and more, may adversely affect the Partnership's business. Furthermore, if additional legislative changes are introduced, in the regulation under the Gas Framework or relevant policies, or if there is any delay in obtaining any regulatory approval, or if the Partnership or its customers do not obtain the required regulatory approvals or fail to comply with their terms and conditions, this may result in the Partnership or its customers being unable to meet their obligations under the existing agreements.

For further information regarding the main regulations applicable to the Partnership's operations as of the date of approval of the Report, see Sections 1.7.12(b) and 1.7.25 above.

(s) Possibility of price controls on natural gas

As set out in Section 1.7.12(b)(1), the Partnership is subject to the Commodity and Service Price Control Order applying control on the gas sector with regard to reporting profit margins and prices. Under the said order, the price and profit margins of the natural gas sold must be reported semi-annually. If such price controls are introduced and a maximum price is fixed that is lower than the prices set in the natural gas sales agreements of the Partnership, if such fixed price will be legally upheld, this could have an adverse effect on the businesses of Partnership, the volume of which derives from the maximum price that is set.

(t) Environmental regulation

The Partnership's activity, which is mostly executed through the operator of the various oil assets, is subject to various laws, regulations and guidelines relating to environmental protection, which cover diverse issues such as: Oil or natural gas leaking or seeping into the marine environment, release of pollutants and various of types wastes (sewage, drilling equipment, operational liquids, cement, etc.) and chemicals used in the various stages of the work into the sea, emission of pollutants into the air, light of noise nuisances, establishing pipeline infrastructure and related facilities on the seabed. Furthermore, the Partnership is required, through the operator of the various oil assets, to obtain approvals from agencies authorized under the Petroleum Law, the Natural Gas Industry Law and other laws (such as environmental protection laws) for the Operator's operations.

Failure to comply with the foregoing environmental regulatory provisions could expose the Operator, the Partnership and its partners, as well as their officers, in the various oil assets to diverse enforcement measures, including lawsuits, fines and various sanctions, including criminal, and also to delay and even shut down the Partnerships operations. In addition, the Partnership may be held accountable for the actions of others, such as the Operator or third-party contractors affiliated to the Operator, and pollution relating to the Partnership's facilities or emanating from its operations.

In addition, the exploration, development, production, and decommissioning of oil and natural gas assets in deep-water activities involve various risks, especially compared to shallow-water and onshore activities, including the emission of hazardous materials and wastes to the environment, as well as the risk that humans would be exposed to such hazardous materials and wastes. As a result, the Partnership may be held liable for any or all of the consequences arising from the risk of emission of or exposure to such hazardous materials and wastes.

As noted in Section 1.7.12(b)(9) above, in September 2016, the Ministry of Energy, jointly with the Ministry of Environmental Protection and other government ministries, published directives for regulating the environmental aspects involved in offshore oil and natural gas exploration, development and production. The foregoing directives could have an effect on the costs and the way the Partnerships operate, the scope of which as of date of approval of the Report cannot be estimated.

It is not at all certain whether the costs required of the Partnership with regard to the existing and expected legislation, regulation and directives relating to environmental protection and with respect to the consequences arising from emissions of substances into the environment, will exceed the amounts earmarked by the Partnership for these purposes, or that these costs will not have a material adverse effect on the financial position of the Partnership and the results of its operations. It should also be noted that the interpretation and enforcement of environmental laws and regulations vary from time to time and may become more stringent in the future. For further information concerning the provisions of the law and instructions of competent authorities on environmental matters that apply to the Partnership and with regard to material legal and administrative proceedings in connection with the environment, see Sections 1.7.12(b) and 1.7.12(g) above, respectively.

(u) Climate changes

Climate change refers to a set of phenomena that have been extensively documented and researched in recent decades, and that require mankind to prepare by slowing down adverse changes (for example, lowering the rate by which temperatures are rising) and by coping with the consequences of the phenomena (for example, coping with the rising sea levels). The climate changes are directly and indirectly affecting the Partnership's operations. Directly, the intensification of climatic events and their increasing frequency, whether they occur in the areas of the Partnership's assets or in areas through which the supply chain to such assets pass may, among other things, disrupt, delay and increase the costs of the operations in the assets. Indirectly, in recent years there has been increasing regulatory intervention aimed at reducing greenhouse gas emissions and promoting the use of renewable energies, all as part of the government's declared policy to deal with climate changes, which is prevalent mainly among developed countries. Such intervention is reflected, inter alia, in the goals set for reducing the use of fossil fuels in favor of increasing the use of renewable and clean energy, and is implemented, among other things, by providing positive incentives for producers and consumers of renewable energy and setting negative incentives for producers and consumers of fossil fuel energy (for example the imposition of a "carbon tax"). For further information regarding decisions and announcements published on this issue by the Israeli government and government agencies, see Section 1.7.12(i) above.

Regulatory intervention on this issue, which may be reflected, among others, in international agreements, legislation and other regulatory measures may have a material adverse effect on the Partnership's business and its financial results, and may cause, among other things, a substantial increase in expenditure required to comply with the new requirements and to substantially increase competition from suppliers of renewable energies.

In addition, the actions of organizations and activists that oppose the production and use of fossil fuels may adversely affect the Partnership's reputation and cause legal and other expenses that will be required in order to cope with such activity and its consequences.

In light of the above, the Partnership is examining options to invest in renewable energy projects, as part of the collaboration with Enlight, as described in Section 1.7.11 above, as well as in blue hydrogen projects.

(v) Dependence on weather and sea conditions

Offshore operations are exposed to a variety of operational risks that are unique to the marine environment, such as capsizing, collisions and damage or loss caused by adverse weather conditions and sea conditions. These conditions can cause significant damage to the facilities and disrupt the operations. In addition, rough seas and stormy weather could cause damage to the production and transmission systems and to equipment, and delay schedules of offshore work plans and extend the time frame for their completion. Such delays could increase expected costs and could also cause non-compliance with mandatory schedules to which the Partnership is committed.

(w) Information security and cyber risks

The partners in the oil assets of the Partnerships, including the Partnerships and the Operator (directly or through sub-contractors) (hereinafter in this section - the "**Companies**"), are dependent on their information systems for their operations. Therefore, for example, production operations from the Leviathan Reservoir involve the use of industrial control systems for supervision, control and data collection in industry (hereinafter - "**ICS**"), which monitor and control their large-scale processes including, inter alia, monitoring of the natural gas and condensate transmission pipeline. It is noted that ICS based systems are exposed to the risk of cyber-attacks. Furthermore, the Partnership and the Operator depend on computer systems, including IT and infrastructure systems, for processing and documenting financial and operating data, communicating with workers, advisors and business partners, analysis of seismic, geological and engineering data, estimating oil and gas reserves and other activities related to the Partnership business. The Partnership's business partners, including suppliers, customers and financial institutions, are also dependent on computer systems, including IT and infrastructure systems; the higher the dependency, the higher the potential exposure to cyber threats, whether intentional or unintentional. In addition, there has been an increase in the severity of cyber threats worldwide in terms of their sophistication and complexity, as well as in the number of attacks against Israeli organizations, particularly during this time, during the Iron Swords War and following the changes in labor markets against the backdrop of the Covid-19 crisis, many organizations have transitioned to operating - partly via remote connection to organizational networks, which create exposure to unauthorized access.

Malfunctions and/or failures and/or security exposures in computer systems, including in ICS, IT, information security, may enable unauthorized access for the purpose of misusing the Partnership's assets, and cause deliberate harm to IT systems of corporations as stated. Unauthorized access might cause damage to the administration networks of the Partnership and/or the Operator, leaking of information to unauthorized entities, disruption of the information in the systems and damage to the integrity of the information and disruption of ICS processes. Damage to the ongoing operation of the systems that support business activities, in extreme cases, may even cause disruption or discontinuation of the supply of natural gas, loss of information, and incur material costs for restoration of the IT systems, thereby having a material adverse effect on the Partnership's business, financial position, operating results or capabilities.

The Partnership is working to implement the directives of the Privacy Protection Authority, and the recommendations of the National Cyber Directorate (the "Corporate Defense Methodology" and ongoing recommendations), for effective management of information security and cyber protection in its organizational network, whereas the Operator is implementing the directives of the National Cyber Directorate in connection with the operational aspects of the production platform of the Leviathan Project, as a critical state infrastructure. The Partnership has established an information security and cyber protection policy (hereinafter - the "**Protection Policy**") which is approved once a year by the board of directors of the Partnership's General Partner, and defines the Partnership's outlook regarding its cyber and information security defense system, and is taking measures for implementing this outlook, while guiding all employees in connection with proper conduct in connection with cyber risks. As part of its operations, the Partnership constantly improves its information security function, while adopting the guidelines according to various international standards.

As part of the Protection Policy, the Partnership's protection targets are mapped, its cyber risks are assessed, cyber protection controls are designed and implemented, and procedures are set for assessing the effectiveness of those controls.

Furthermore, from time to time the Partnership conducts risk surveys and penetrability tests to assess information security gaps and check the effectiveness of the information security and cyber security policies and takes steps to implement the findings.

The Partnership acts on an ongoing basis to increase the level of the employees' awareness of aspects of cyber and information security, including phishing attacks, dedicated training and remote working rules. It is noted that the Partnership receives 24/7 monitoring and control services, 365 days a year from a third party, which are intended to flag irregular activity on the Partnership's network.

Tal Levy, VP Budget and Control, who reports to the Partnership's CEO, is in charge of the implementation of the Protection Policy, and the Partnership is also supported by an external IT company and outsources information security, all of which work on an ongoing basis to constantly improve and enhance the Partnership's protection function. The responsibilities assigned to the Partnership's Head of Information Security include (a) establishing the security policy and supporting procedures; (b) implementing a work plan and ongoing monitoring of compliance with regulatory requirements, the security policy, and the procedures; (c) guidance on the implementation of the Partnership's cyber security measures and issuing instructions before new business systems are integrated; (d) raising awareness of the changing cyber security risks among the employees and in the management and the board; (e) monitoring the management network's supply chain; and (f) guiding the Partnership and the IT Company, as stated, on the Partnership's information security and cyber security.

In addition, the Partnership is making preparations for dealing with a cyber event, and adopted for that purpose a cyber event procedure; the Partnership also held an exercise for the management of a cyber event, participated by the Partnership's management and Head of Information Security; it should be noted that as part of the cyber security insurance policy taken out by the Partnership, in the event that a cyber event takes place, the insurance company will provide to the Partnership the services of other entities specializing in the management of cyber events in technical and legal respects, as well as crisis management experts.

It is noted that the Partnership allocates a dedicated cyber risk management budget, according to its needs.

It is noted that the Partnership and all of its IT systems have no access to the IT systems of the Operator and of its other partners in the oil assets, and in this regard, it does not have control over the central ICS systems which monitor and control the production operations that are under the Operator's responsibility and control. To the best of the Partnership's knowledge, the Operator is closely monitored by the National Cyber Directorate and implements adequate procedures and measures for effective management of information security and cyber protection with regard to these systems.

(x) Changes in investment trends due to ESG considerations (Environment, Society, Governance)

In recent years, there has been growing awareness among investors in Israel and worldwide, and among other stakeholders, such as suppliers, consumers, employees, creditors, etc., the climatic and environmental impacts of various operations. As part of this trend, existing and potential investors, as well as other stakeholders, are taking ESG considerations into account and including ESG considerations in their investment and business policies, including with regard to granting credit.

At the same time, there is a similar trend among regulators in Israel and worldwide. Thus, for example, in December 2020, the Banking Supervision Department announced that banks are expected to take adequate operative steps to identify, neutralize and manage environmental risks, in April 2021, the Israel Securities Authority published a suggested plan for reporting corporations on the matter; this included, among other things, voluntary publication of a corporate and social responsibility and ESG risks report on an annual basis; in July 2022, a circular promoted by the Capital Market, Insurance and Savings Authority came into force, which prescribed, among other things, that institutional entities will be required to take into consideration ESG considerations when making investments; similar approaches are also included in documents of other regulators across the world in general and particularly in Europe.

These trends may be expressed in various ways, including: public opposition to the Partnership's oil and gas asset activity, reducing the Partnership's attractiveness among potential employees, pressure from investors and funding banks to adapt the Partnership's operations to the December 2015 Paris accord on reducing greenhouse gas emissions, as well as difficulties in accessing capital, including raising debt, external investments and project financing. In addition, these trends may also adversely affect the Partnership's business and financial status, among others, leading to a decrease in the value of its assets, an increase in the price of debt and erosion of the price of participation units.

In February 2022, the Partnership published its first corporate governance report reviewing 2020-2021, in which initial goals were set for the issues defined as material by the stakeholders, according to the materiality test and in accordance with GRI standards. The Partnership intends to publish an updated ESG report for 2022 and 2023 during the second quarter of 2024.

(y) Tax risks

The tax issues related to the Partnership's operations, including with regard to the method of calculation of the Levy under the Taxation of Profits from Natural Resources Law, have yet to be litigated in Israeli courts and is impossible to determine or to anticipate how the courts will rule on such issues, if and when they are brought before them. Furthermore, for some of the legal issues there is no way to anticipate the position of the tax authorities. In this context, it should be noted that in November 2021, an amendment to the Profits from Natural Resources Taxation Law was approved, according to which, inter alia, based on the tax assessor's decision, a payment may be imposed of 75% of the balance of the levy that was appealed.

(z) Financing liabilities

As specified in Section 1.7.22 above, the terms of the debentures issued by a subsidiary of the Partnership, Leviathan Bond, defined events of default and various liabilities, part of which are not in the Partnership's control, and a breach thereof may entitle the debenture holders to call for immediate repayment of the debt and to exercise the liens on the Partnership's interests in the Leviathan Project which were created to secure the repayment of the debentures. . In addition, the credit facility stipulates the financial covenants the Partnership must comply with if it makes a withdrawal out of the credit facility, and that non-compliance with which shall entitle the lender to an immediate repayment.

(aa) Dependence on customers

As of the report approval date, Blue Ocean and NEPCO are Leviathan Project's main customers. In respect of these customers, the Partnership is exposed to risks that are beyond its control, including changes in the economic and political situations in Jordan and Egypt that could have an impact on these customers and their ability to meet their obligations under the gas supply agreements. For further information concerning the Partnership's revenues from these customers, see Section 1.7.13(b) above.

It should be noted that the agreements signed with IEC and Blue Ocean set dates at which each party to an agreement is entitled to request a price adjustment. Should Blue Ocean request a price adjustment for gas purchased by it in accordance with the mechanism set out in the agreement with it, this may have an adverse effect on the Partnership's business and the results of its operations.

In addition, the Partnership is exposed to risks beyond its control with regard to the financial robustness of its customers and their ability to meet their liabilities under the gas supply agreements. If the Partnership's customers in general and its key customers in particular, fail to meet their liabilities and if the Partnership fails to sell the contracted volume as set in these agreements to other customers, this will have an adverse effect on the revenues of the Partnership and on its financial results.

(bb) Reliance on the Operator

The Partnership depends to a large extent on the Operator in its oil assets, Chevron for the Leviathan Reservoir and Block 12 in Cyprus, in accordance with the provisions of the JOAs. The withdrawal and/or removal of the Operator, for any reason whatsoever under the operating agreements, or any change in its status and/or interests such that it will no longer be the operator for the project, such that it ceases to be the operator of the project, this could have an adverse effect on the ability of the Partnership to meet its commitments under the work plans for the oil assets and/or under the agreements for the sale of gas. In such a case, the Partnership is not able to guarantee that a substitute operator will be found under the current conditions, if any. The inability of the Partnership to find a substitute operator may adversely affect the activity of the various projects as aforesaid, specifically - the Partnership's commitments to supply gas under the existing gas sales agreements, and as a result may lead to a decrease in the Partnership's revenues. Furthermore, if the operators in the Partnership's assets fail to comply with their obligations as operator under the JOAs or under agreements with third parties they have engaged with as an operator, the Partnership may then bear expenses and losses that may derive from the actions (or omissions) of the operators.

It should be noted that in the Ofek Hadash and Yahel Hadash licenses, which expired, holders of rights in the licenses are required by law to conduct plugging and abandonment activities, and that despite the fact that under the joint operation agreement, these requirements effectively apply to the operator (SOA), this does not detract from the Partnership's obligations regarding this matter.

(cc) Risk in development and production in the event of a discovery

The decision-making process for investing in the development of a field for its commercial production, intermediate operations prior to commercial production, and the execution of such development and commercial production (if it is decided that they are feasible) could be prolonged and involve the Partnership in substantial investments. In this context, it should be noted that there is no certainty that in every discovery defined as a commercial discovery the of the oil or gas field will be development, will be economically feasible for the Partnership and finance, inter alia, due to the duty to pay royalties to third parties. It should also be noted that, as aforesaid, the development and production of deep-water assets, such as those in which the Partnership's assets are located, are complex and high-risk operations.

(dd) Revocation or expiration of oil rights and assets

Oil rights are granted according to the Petroleum Law for a limited term and are contingent on fulfilling commitments on dates specified in terms of the oil assets. Failure to comply with the said terms and conditions could lead to revocation of the oil rights, subject to the Petroleum Law. In addition, non-compliance with the terms and conditions set out in the Petroleum Law or the terms of the Production Sharing Contract the Partners had obtained from the Government of Cyprus in the Aphrodite Reservoir, might lead to forfeiture of the rights and to the funds invested in these rights going down the drain. For details on the Aphrodite Reservoir partners' non-compliance with the milestone stipulated in the terms of the Production Sharing Contract in connection with performing the FEED in relation to the development plan approved by the Government of Cyprus, see Section 1.7.5(k) above.

(ee) Spillover of reservoirs

Oil or natural gas reservoirs that are discovered or will be discovered in the areas in which the Partnerships have rights may spill over (in terms of the spread of the geological formation and size of the reservoir) into other areas where Company or the Partnerships have no rights, and vice versa. If gas migrates to areas in which other parties have rights, negotiations may be required to reach agreement for joint exploitation and production from the reservoir or an alternative indemnification arrangement, to achieve effective utilization of the oil or natural gas resources, which could cause delays in the various operations that the Partnership will have to execute.

(ff) Security risks

The INGL gas transmission pipeline facilities, the EMG pipeline and other infrastructures used for supplying gas to Egypt are located in part offshore, and are relatively close to the offshore-onshore border between Israel and Gaza, and the gas reception and distribution infrastructure in Egypt connects to the EMG pipeline in the Sinai Peninsula, and therefore they are exposed to security risks, including acts of terror and sabotage. Furthermore, the Leviathan Project facilities, the pipeline, infrastructures and facilities used for supplying gas to Jordan and Egypt are exposed to security risks as aforesaid.[68] For more information on security-related risk factors, see Paragraph (a) above, regarding the Iron Sword War.

These security risks, if they materialize, may, among other things, disrupt the production of gas from the Leviathan Reservoir and/or the supply of gas to customers in the domestic market and/or in the export markets, and in an extreme scenario, may even lead to the revocation of the gas supply agreements or the reduction of the amounts the customers are required to pay due to claims of a "force majeure" event. Furthermore, such risks may restrict the ability of service and equipment providers to provide their services or the equipment required for the operation of the Leviathan Project, and adversely affect the ability to recruit and retain the appropriate human capital. The materialization of such security risks may lead to a significant

[68] It should be noted that according to media publications of August 2022, the Lebanese terror organization Hezbollah launched three drones towards the gas rig in the Energean Karish lease; the drones were intercepted by Israeli security forces. In addition, the head of the organization made a number of statements in various media outlets regarding the organization's intention to cause damage to the offshore rigs in the exclusive economic zone of Israel, as part of a military conflict that might develop.

adverse effect on the Partnership’s revenues and business, including its ability to execute operations that are contingent on prior coordination with the defense forces.

(gg) Fluctuations in the USD exchange rate

Changes in the NIS-USD exchange rate may impact the results of the Partnership in several ways, as follows: (a) The Partnership's operating currency is the USD. As some of the Partnership's expenses are in NIS or are affected by the NIS-USD exchange rate, a decrease in the NIS-USD exchange rate (appreciation of the NIS against the USD) increases such expenses in USD terms; (b) as the gas prices in the agreements for the sale of gas from the Leviathan Reservoir are set by price formulas that include various linkage components, among others, linkage to the NIS-USD exchange rate and to the electricity production tariff, which is partly affected by the NIS-USD exchange rate. Depreciation of the NIS against the USD may have an immaterial negative effect on the Partnership’s revenues; and (c) as the Partnership reports its taxable income in NIS and pays tax advances in NIS, changes in the NIS-USD exchange rate affect the amount of the Partnership’s taxable income and the scope of the cash flows used for payment of such tax advances.

(hh) Affiliation of the Partnership to the Delek Group and its controlling shareholder

The Partnership's affiliation with Delek Group and its controlling shareholder, and their financial situation, may have an adverse effect on the Partnership and its business.

The affiliation of the Partnership to Delek Group and its controlling shareholder, Yitzhak Tshuva, could affect the Partnership’s ability to raise credit, inter alia, due to the single borrower limitation, which could limit the Partnership's sources of credit in Israel, and there may be other regulatory restrictions imposed on the banks and institutions by the Ministry of Finance and the Bank of Israel. In addition, any deterioration in Delek Group’s financial situation may make it difficult for the Partnership to raise credit and/or could adversely affect the commercial conditions under which the credit required by the Partnership will be provided. In addition, according to the instructions of the Petroleum Commissioner, a change or transfer of control in a Partnership requires the approval of the Commissioner.

It should also be noted that, under the Production Sharing Contract signed with the Republic of Cyprus in the Aphrodite project, as set out in Section 1.7.5(c) above, a change in the control, directly or indirectly, of Delek Group or the Partnership requires prior approval of the Republic of Cyprus. Furthermore, in accordance with the terms of the PSC and the requirements of the Republic of Cyprus, Delek Group provided a performance guarantee with respect to the Partnership's obligations under the PSC.

(ii) The Partnership’s status as a monopoly

As outlined in Section 1.7.12(b)(1) above, the Partnership was declared a monopoly jointly with the other Tamar Partners, and severally, and despite the fact that it completed the sale of its remaining rights in the Tamar and Dalit leases it may be considered a monopoly in the natural gas supply segment in Israel in view of its inclusion in the monopoly register and its partnership in the Leviathan Project. It is noted that restrictions and prohibitions may be imposed on a monopoly under the Economic Competition Law, and among other things the prohibition to refuse, for unreasonable reasons, to supply natural gas to customers, and prohibition on the adverse exploitation of its market status in a manner that may reduce business competition or cause public harm (for example, by setting unfair prices or different terms of engagement for similar transactions that could give certain customers an unfair advantage over their competitors).

(jj) “Force majeure” event clauses in the various agreements

As is generally accepted, “force majeure” event clauses are included in the various agreements to which the Partnership is a party. “Force majeure” events may exempt one party to an agreement from fulfilling its obligations under the agreement. Therefore, the occurrence of a “force majeure” event in connection with a party of any agreement to which the Partnership is a party, might affect the different projects it is promoting, the timetables for their completion and their costs. Furthermore, in certain instances a “force majeure” event that lasts a long time may establish grounds for the cancellation of the agreements.

In addition, in all of the Partnership’s agreements for the sale of natural gas (hereinafter in this section - the “**Gas Agreements**”), the customers have a take-or-pay agreement for a minimum annual quantity of natural gas, according to the mechanisms set out in the Gas Agreements. However, the customers may be exempt from this obligation, in the event of force majeure that prevents them from fulfilling their obligations, as defined in the Gas Agreements. A force majeure event is defined as an event beyond the customer's control, which prevents it from fulfilling its undertakings under the gas agreement and which could not reasonably have been prevented under the circumstances. The gas agreements list events that will not be considered force majeure, also where they are beyond the customer's control. It should be noted that the Partnership may also be exempt from its obligations under the Gas Agreements in the event of force majeure that prevents it from fulfilling its obligations s under the Agreements.

If a force majeure event continues over a prolonged period as set out in a gas supply agreement and has a material effect on the ability of a party to fulfill its undertakings as aforesaid, this may constitute grounds for termination of the agreement. Accordingly, a force majeure event over a prolonged period, which suspends a customer's undertakings to buy a significant quantity of natural gas, may have a material adverse effect on the Partnership's revenues.

(kk) Political disputes in regions in which the Partnership operates

In July 1974, Turkish military forces invaded Cyprus and occupied about a third of the country (hereinafter in this section - the "**Occupied Territories**"); as of the approval date of this report, Turkey still maintains a large military force in the Occupied Territories.

The cease-fire line established in August 1974 became a buffer zone under the supervision of the United Nations and is called the "Green Line".

Starting in 1975, negotiation attempts were made between the parties with the mediation of the United Nations in order to resolve the dispute. Over the years, the UN Security Council passed a number of resolutions in connection with the dispute over the Occupied Territories, and drafts of two agreements were even passed in 1977 and 1979.

In 1983, the "Turkish Republic of Northern Cyprus" unilaterally declared its independence, but Turkey is the only country that recognized it and its right to the Occupied Territories.

In view of the above, there may be a deterioration in relations between Turkey and Cyprus which will lead to political instability in the region or even a military conflict. Such developments may lead to delays in the development of the Aphrodite Reservoir.

It should also be noted that following the declaration of independence of the Turkish Republic of Northern Cyprus, Turkey is carrying out natural gas and oil exploration operations in large areas of the Eastern Mediterranean region, including in the economic zones of Egypt and Cyprus. At the same time, Turkey conducts various drilling and surveys in disputed maritime areas. These actions may lead to regional instability or even a military conflict in the Eastern Mediterranean, which may affect (directly or indirectly) the Partnership's activities, cause physical damage to the Partnership's facilities in Cyprus, or lead to a reduction in trade between Israel and Cyprus and their current trade partners. However, note that according to its official reports, the Turkish government does not claim ownership of the territories in which Block 12 is located.

***

The table below presents a summary of risk factors by type (macro risks, sector-specific risks and risks specific to the Partnership), according to the estimates of the Company based on the degree of their effect on the Company in the energy sector in Israel, conducted by the Israeli partnership:

	Impact of risk factor on the Partnership's business		
	Major	Moderate	Minor
Macro risks			
The Iron Swords War	X		
The outbreak of epidemics			X
Inconsistencies in the linkage components in the natural gas price formulas in the supply contracts		X	
Changes in demand for and prices of energy products		X	
Global macroeconomic factors	X		
Geopolitics	X		
Sector-specific risks			
Difficulties in obtaining financing		X	
Competition for gas supply		X	
Export restrictions		X	
Dependence on the development and proper function of the gas pipeline	X		
Operating risks		X	
Inadequate insurance coverage	X		
Establishment risks, dependence on contractors, and providers of equipment and professional services		X	
Exploration risks and dependence on partial and estimated assumptions, assessments, and data		X	
Estimated costs and schedules and potential shortage of means		X	
Forfeiture of the Partnership's rights in its oil assets and the financial robustness of the partners in the oil assets			X
Dependence on other regulatory approvals		X	
Regulatory changes	X		
Possibility of price controls on natural gas		X	
Environmental regulation	X		
Climate changes		X	
Dependence on weather and sea conditions			X
Information security and cyber risks		X	
Changes in investment trends due to ESG considerations		X	
Partnership-specific risks			
Tax risks		X	
Financing liabilities			X
Dependence on customers		X	
Reliance on the Operator	X		
Risk in development and production in the event of a discovery			X
Revocation or expiration of oil rights and assets	X		
Spillover of reservoirs			X
Security risks	X		
Fluctuations in the USD exchange rate		X	
Affiliation of the Partnership to the Delek Group and its controlling shareholder		X	
The Partnership's status as a monopoly			X
"Force majeure" event clauses in the various agreements		X	
Political disputes in regions in which the Partnership operates			X

It is noted that the impact of these risk factors on Company's operations is based on estimates alone and may actually be different.

Professional Terms Glossary

Below is a glossary of professional terminology, alphabetically arranged, according to the term in Hebrew. The explanations and definitions given here are for the reader's convenience. The official definitions are in the PRMS and the Security Authority's regulations, as may be updated from time to time.

Low/Best/High Estimates - according to PRMS, the low estimate is defined as there being a 90% probability that the quantities actually recovered will equal or exceed the low estimate; the best estimate is defined as there being a 50% probability that the quantities actually recovered will equal or exceed the best estimate; the high estimate is defined as there a 10% probability that the actual quantities recovered will equal or exceed the high estimate.
Lean Natural Gas - with regard to the Leviathan production systems, the term refers to the natural gas in the pipeline after treatment, i.e., after the liquids (water and MEG) have been removed.

Gas / Oil Initially in Place - the volume of gas in the reservoir before beginning production, which is usually reported under standard pressure and temperature conditions. The volume of gas in place is not dependent on the development plan of the reservoir and does not change, even though the estimates for it could change. The volume of gas in place is always greater than the volume of recoverable gas (see in this context the definitions for Recovery Factor and Recoverable Gas/Oil).

Recoverable Gas/Oil - the gas/oil that can be recovered through commercial or sub-commercial development projects, as of a given date.

Natural Gas - a naturally occurring carbonaceous mixture of hydrocarbons.

Compressed Natural Gas (CNG) - natural gas compressed at a high pressure to 100 to 300 times its original volume, depending on the compression pressure. Compressing the gas facilitates its storage and transportation. CNG is mainly used as a fuel for vehicles powered by natural gas.

Dry Gas - natural gas consists mainly of methane, and generally contains less than approx. 10 barrels of condensate in every million cubic feet of gas.

Liquefied Natural Gas (LNG) - the natural gas is condensed by cooling to a temperature of approx. 160° C below zero converting it to a liquid state, thus reducing its volume by 600 times. The liquefaction of natural gas allows transmission of the gas to distant customers using special-purpose tankers, without requiring pipelines.

Rich Natural Gas - with regard to the Leviathan and Tamar production systems, the term refers to the natural gas in the pipeline before treatment, i.e., before the liquids (water and MEG) have been removed.

Wet gas - natural gas that contains, relative to dry natural gas, less light hydrocarbons (mainly methane and ethane) and more heavy hydrocarbons. It is customary to classify natural gas as "wet" when its methane content is less than 85%.

Working interest - an interest in an oil asset granting its owner the right to participate, pro rata, in the exploration, development and production of oil, subject to payment of a corresponding percentage of the expenses arising from these works, after acquiring the working interest.

Oil and gas exploration -

all activities aimed at locating gas or oil reserves and proving their existence, including geological, geophysical, geochemical, engineering and other surveys and analyzes. It is customary to determine the end of the exploration phase after a successful drilling of an exploratory well, and after successfully proving the economic feasibility of the discovery, which sometimes requires additional drilling.

Umbilical Cables - with regard to the Leviathan and Tamar project production systems, this term refers to the command-and-control cables in the producing wells, which also allow liquids to be injected into them. In the Leviathan and Tamar projects, there are umbilical cables from the platform to the subsea distribution assembly (SDA) and umbilical cables in the field itself, from the SDA to the wells.

Logs - (a) various tests performed when drilling to characterize and record a series of properties of the drilled rocks and their contents. (b) the instruments used for performing these tests. Logging can be divided into logging while drilling (LWD) and are installed as part of a column of drilling pipes, and wireline logging that are conducted when the drill is not in the well.

Jacket - a steel frame that is fixed to the seabed with the top above the waterline, on which the topsides of the platform are fixed.

Green Hydrogen - A product of an electrolysis process in which water molecules are broken down into hydrogen and oxygen using electricity generated from renewable energy, usually solar or wind energy. The generated hydrogen is treated, transported and marketed, and the oxygen is emitted into the atmosphere.

Blue Hydrogen - A product of natural gas cracking process in which the gas molecules are broken down using steam into hydrogen and carbon dioxide. The generated hydrogen is treated, transported and marketed, and the carbon dioxide is separated from the other byproducts of the process and treated, transported and marketed or undergoes a carbon capturing, utilization and storage process (CCUS).

Commercial - according to the PRMS, a project is commercial when there is evidence of concrete intent to promote development of the reservoir within a reasonable time frame, and that there is concrete evidence that all conditions, including technical, environmental, economic, social, political, legal, contractual and regulatory are met.

Manifold - an installation consisting of pipes and valves designed to control, route and monitor the flow of various products. In the Leviathan and Tamar projects, the manifold is a subsea structure, and receives the flow from the pipeline coming from a number of subsea wells, and routes it to the long pipeline leading to the platform.

Petroleum Resource Management System (PRMS) - is a guideline for consistent and reliable definition, classification, and estimation of gas and/or oil resources developed and maintained by the key professional agencies active in the industry. The most recent edition of the PRMS was published in 2018 (replacing the 2007 edition).

Recovery Factor - the ratio of gas/oil initially in place and the recoverable gas/oil, as defined here. The factor is between 0 - 1 and is usually lower for oil than for gas.

Contingent Resources - are defined in SPE-PRMS as quantities of hydrocarbons (such as oil and/or gas) that are estimated, as of any given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies. The contingent conditions could, among others, be technical, financial and/or regulatory. According to PRMS, contingent resources are reported according to the probability of their quantities as low estimate that is denoted as 1C, best estimate that is denoted as 2C and high estimate that is denoted as 3C.

Prospective Resources - defined under the SPE-PRMS as estimated quantities of hydrocarbons (oil and/or gas), as of a given date, to be potentially recoverable from undiscovered accumulations. According to PRMS, prospective resources are reported according to known quantities as low estimate that is denoted as 1U, best estimate denoted as 2U and high estimate denoted as 3U.

Oil asset – a holding, directly or indirectly, in a preliminary permit, license or lease. In another country – the holding, whether direct or indirect, in a similar right granted by a competent party. The oil asset is also regarded as the right to receive benefits arising from the lease, direct or indirect, in the oil asset or in a similar right (as the case may be).

Topsides - parts of an offshore drilling platform containing production and processing facilities and other facilities, located above the waterline on a jacket in the case of a fixed platform, or on a floating production system in the case of a FPSO.

Seismic Survey - a method based on shock waves, which enables the imaging of subterranean properties and detecting of geological structures and is the main tool in gas and oil exploration. Generally, seismic surveys are divided into 2D surveys that provide a two-dimensional image of the subterranean surface and 3D surveys that provide a three-dimensional image of the subterranean surface. The raw data of the survey are processed using a number of methods. Geological interpretation is usually carried out on processed results.

Reserves - defined according to the PRMS as quantities of hydrocarbons (such as gas/oil) that are anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must satisfy four criteria: They must be discovered, recoverable, commercial, and remaining based on the development projects applied.

Development - reserves are reported according to the certainty of their quantities, as proved reserves denoted as P1, probable reserves denoted as P2, and possible reserves denoted as P3. It is customary to also report the low estimate, denoted as 1P (equivalent to P1); best estimate, denoted as 2P (equivalent to the sum of P1 + P2); and high estimate, denoted as 3P (equivalent to the sum of P1 + P2 + P3).

Hydrocarbons - chemical compounds consisting wholly of hydrogen and carbon. In this report, the term is used as a general indication of, mainly, natural gas and/or oil and/or condensate.

Petroleum - a natural compound of hydrocarbons in a gaseous, liquid or solid state. Petroleum may also contain nonhydrocarbon compounds, such as carbon dioxide, nitrogen and sulfur. In this report, the term is used as a general indication of, mainly, natural gas and/or oil and/or condensate.

Development - the set of actions required to produce gas/condensate/oil from a reservoir, including drilling and completion of producing wells, establishing a transmission system to a processing facility, construction of required processing facilities, establishing a transmission system from the processing facility to consumers.

Production and Processing Platform - a facility that serves for processing of the production products (natural gas/condensate/processes liquids, etc.), and sometimes also for controlling wells and the transmission system. In the Yam Tethys, Leviathan and Tamar projects, the production and processing platforms are offshore.

Exploration Well or Exploratory Well - a well that is drilled for the purpose of proving the existence of oil in the prospect and for verifying the geological model that led to it being drilled. This is the essence of exploration activity. Depending on the size and complexity of the field, there may be more than one exploratory well in the field.

Confirmation Well or Appraisal Well - a well that is drilled with the aim of verifying the size, quality and continuity of the oil field discovered through a successful exploratory well. Confirmation drilling is carried out at the appraisal phase of the field and formally ends when a final investment decision is made to develop the field. Depending on the size and complexity of the field, there may be more than one exploratory well in the field.

Depending on the size and complexity of the field, there may be more than one exploratory well in the field.

Condensate - a mixture of hydrocarbons that exist in gaseous phase conditions in the reservoir, but when produced, are in the liquid phase at surface pressure and temperature conditions.

Gas and/or oil field - an accumulation or accumulations of oil under the surface of the soil, which is usually composed of reservoir rock covered by a seal layer. The term is usually used to specify reservoirs that may be economically feasible for production.

FPSO - Floating Production, Storage and Offloading, a facility which usually looks like a vessel. It is equipped with processing and separation facilities for oil and/or gas and/or water and other liquids, which are extracted from seabed wells and transmitted from them to the facility via risers. The facility has a storage capacity of tens or hundreds of thousands of barrels of liquids, which are offloaded periodically using tankers.

Preliminary permit, priority right to obtain a license, petroleum interest, oil, license, as these terms are defined in the Petroleum Law.

Discovered; Discovery; On Production; Approved for Development; Justified for Development; Development Pending; Development Unclarified or on Hold; Well decommissioning; Development not Viable; Dry Hole within their meanings in the PRMS.

Units

"BCF" – Billion Cubic Feet

"BCFD" – Billion Cubic Feet per Day

"BCM" - Billion Cubic Meters

"TCF" - Trillion Cubic Feet, which is 1,000 BCF or approx. 28.32 BCM.

"MMCFD" – Million Cubic Feet

MMBBL - Million Barrels

"MMBTU" - Million British Thermal Units.

Conversion table for units used in the report:

MMCF	BCF	BCM
35,314.7	35.3147	1

BCM	MMCF	BCF
0.0283	1000	1

BCM	BCF	MMCF
0.00003	0.001	1

Partial list of abbreviations

AFE - Authority for Expenditure

AOT - Ashdod Onshore Terminal

ACQ - Annual Contract Quantity

CCUS - Carbon Capture, Utilization and Storage

EGAS - Egyptian Natural Gas Holding Company

EMG - Eastern Mediterranean Gas Company S.A.E

FEED - Front-End Engineering Design

FID - Final Investment Decision

FLNG - Floating LNG

FPSO - Floating Production, Storage and Offloading

IEC - Israeli Electric Company

JOE - the Joint Operating Agreement

JV - Joint Venture

MEG - Monoethyleneglycol, antifreeze fluid

NEPCO - Natural Electric Power Company, the national power company of Jordan

NSAI - Netherland Sewel and Associates Inc.

PRMS - Petroleum Resources Management System

SPC - Special Purpose Company

TCQ - total contractual quantity

TEG - Triethylen Glycol, a fluid that absorbs water and is used to dry natural gas

Geological ages and periods appearing in the Report

(According to the International Commission on Stratigraphy, 2020, in million years before present time)

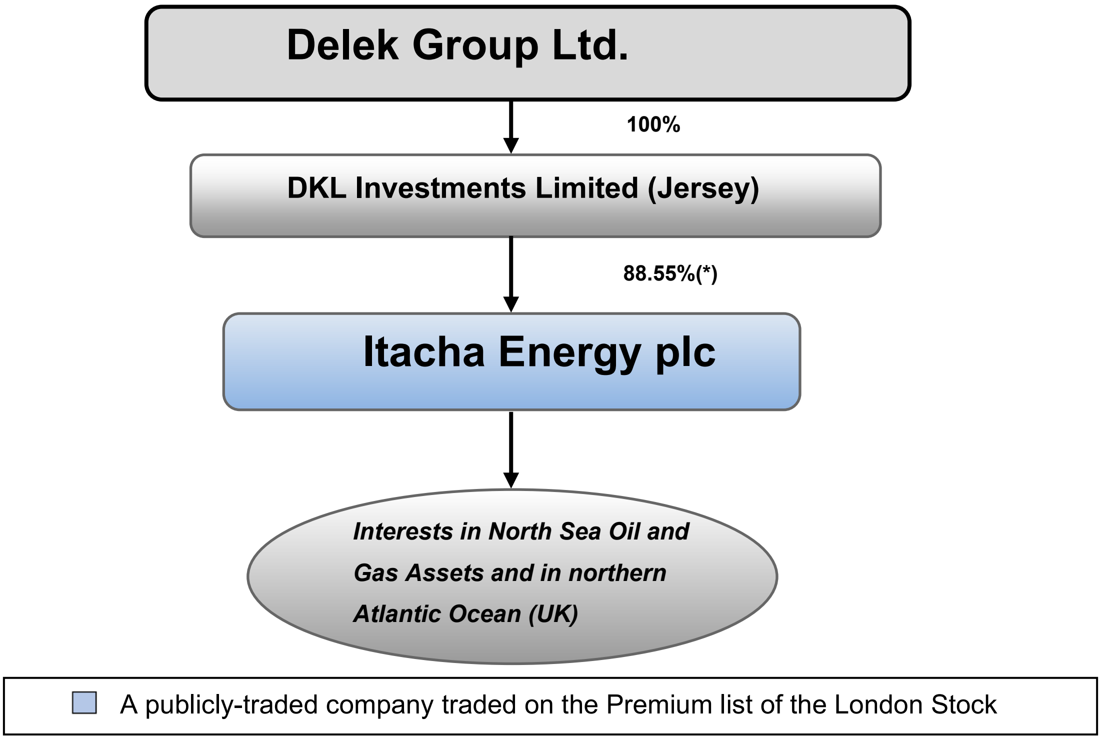
- Miocene: 5.3 – 23.0
- Oligocene: 23.0 – 33.9
- Upper Cretaceous: 66.0 – 100.5
- Lower Cretaceous: 100.5 – 145.0
- Jurassic - 145.0 – 201.3
- Triassic - 201.3 - 251.9
- Permian: 251.9 – 298.9

1.8 The Company's Foreign Energy Segment

1.8.1 General

As part of the Company's business strategy, and with the intention of establishing its operations in international energy markets simultaneously to the development of the Company's Mediterranean oil assets, the Company has invested in the energy sector in recent years in several significant companies and oil assets abroad, through companies under its control. The Company's operations in the Foreign Energy Segment include mainly projects on the UK continental shelf in the North Sea region (hereinafter - the "**UK Continental Shelf**") through [1]Ithaca Energy plc (formerly, Ithaca Energy Limited) (hereinafter - "Ithaca"), a publicly-traded company listed on the London Stock Exchange controlled (indirectly) by the Company. During November 2022, Ithaca completed its listing for trading on the Premium list of the London Stock Exchange; for further details, see Section 1.8(h) below. Ithaca engages in the exploration, production and sale of oil and gas produced from oil assets located on the UK Continental Shelf, and serves as the Operator in some of these assets, also through Ithaca's wholly owned and controlled (100%) subsidiaries and (hereinafter - the "**Ithaca Group**"). As at the report approval date, the Company holds, through a wholly-owned (indirectly) subsidiary, approx. 88.55% of Ithaca's share capital.

(a) The following chart describes the Company's key holdings structure in the Foreign Energy Segments at December 31, 2023:



(*) The holding in the company is through a wholly-owned foreign subsidiary of the Company (DKL Energy Limited (130061)).

(b) DKL Investment Limited (hereinafter - "**DKL**") is a privately-held company registered in Jersey, wholly owned and controlled (100%) by the Company. In June 2017, DKL completed the acquisition of Ithaca's total (100%) share capital, by way of a tender offer to all of Ithaca shareholders, following which Ithaca's shares were delisted from the Alternative Investment Market (AIM) in London and the Toronto Stock Exchange (TSX) in Toronto Canada.

(c) In November 2019, a transaction was finalized whereby Ithaca Energy (UK) Limited (hereinafter - "**Ithaca UK**"), a wholly owned and controlled (100%) (indirectly) subsidiary of Ithaca, acquired the entire share capital (100%) of Chevron North Sea Holdings Limited (hereinafter - the "**Chevron**

[1] The company was called Delek North Sea Limited until October 7, 2022, when the Company named it Ithaca Energy Limited. On November 1, 2022, prior to listing of trading, the Company renamed it to its present name.

Transaction). Upon finalization of the transaction, Ithaca named the acquired company Ithaca Oil and Gas Limited (hereinafter - "**IOGL**"). IOGL engages in the exploration, development and production of gas and oil assets in the UK Continental Shelf fields. Its main assets include interests, at various rates, in producing oil and gas assets on the UK Continental Shelf, for some of which it serves as Operator.

(d) In December 2021, a transaction was completed whereby IOGL acquired additional interests in the P.213 license located in the Alba reservoir. The effective date for the purchase of the additional interests as per the agreement is January 1, 2021. Subsequent to the completion of the transaction, Ithaca - which is the reservoir's operator - holds approx. 36.7% of the reservoir's interests. For further details, see the Company's immediate report dated December 5, 2021 (Ref. No. 2021-01-176016), the details of which are included herein by way of reference.

(e) In February 2022, a transaction was completed whereby Ithaca UK acquired the entire share capital (100%) of Marubeni Oil and Gas (U.K.) Limited (hereinafter - "**Marubeni**" and the "**Marubeni Transaction**", respectively). The effective date for the acquisition is January 1, 2021. Marubeni operates in energy sector in the North Sea and holds, among other things, approx. 41.03% of the interests in the MonArb oil asset, comprising 9 producing oil fields, and interests in additional oil assets. For further details, see the Company's immediate reports of November 3, 2021 (Ref. No.: 2021-01-162765), January 2, 2022, (Ref. No.: 2022-01-000874) and February 6, 2022 (Ref. No.: 2022-01-015367), the details of which is included herein by way of reference.

(f) In June 2022, a transaction was finalized whereby Ithaca UK acquired the entire share capital (100%) of Summit Exploration and Production Limited (hereinafter - "**Summit**" and the "**Summit Transaction**", respectively). The effective date for the acquisition is January 1, 2021. Summit operates in the North Sea energy sector and holds, among other things, approx. 2.1875% of the interests in the Elgin-Franklin reservoir (a producing reservoir in which Ithaca has approx. 3.9% of the interests prior to completion of the transaction), as well as other oil assets. For further details, see the Company's immediate reports of February 28, 2022 (Ref. No.: 2022-01-024187), April 26, 2022, (Ref. No.: 2022-01-051169) and July 3, 2022 (Ref. No.: 2022-01-082333), the details of which is included herein by way of reference.

(g) In June 2022, a transaction was finalized whereby Ithaca UK acquired the entire share capital (100%) of Siccar Point Energy (Holdings) Limited (hereinafter - "**Siccar Point**" and the "**Siccar Point Transaction**", respectively). The effective date for the acquisition is January 1, 2022. Siccar Point operates in the energy sector and holds interests in oil and gas assets and commercial discoveries in the North Sea and North Atlantic Ocean. For further details, see the Company's immediate reports of April 7, 2022 (Ref. No.: 2022-01-037854), June 7, 2022, (Ref. No.: 2022-01-058083) and July 3, 2022 (Ref. No.: 2022-01-082333), the details of which is included herein by way of reference.

(h) On November 9, 2022, listing of Ithaca for trading on the Premium List of the London Stock Exchange was completed and on November 14, 2022, unconditional trading of its shares was launched under the ITH symbol.

According to the registration rules applicable to companies traded on the London Stock Exchange's Premium List, the Company and Ithaca signed a relationship agreement between them, which contains the Company's obligations as the controlling shareholder of Ithaca to comply with the corporate governance provisions of the FCA's registration rules.[2]

(i) In November 2023, a transaction was completed under which IOGL acquired further interests in the P.2373 license - the Fotla discovery (hereinafter - "Fotla" or the "Discovery") by acquiring the seller's interests - approx. 40% of the Discovery; Due to completion of the transaction, Ithaca, the Fotla operator, holds the entire interests in Fotla (100%); furthermore, under the transaction, interests were also acquired in three exploration licenses (P.213 Area C, P.345 Area A and P.2536), which are located on the UK Continental Shelf in the North Sea (hereinafter - the "**Spirit Transaction**"). The effective date for the acquisition of the interests is January 1, 2023. For further details, see the Company's immediate reports dated July 12, 2023 (Ref. No.: 2023-01-078972) and September 10, 2023 (Ref. No. 2023-01-085243) and November 1, 2023 (Ref. No.: 2023-01-120687), the details of which are included herein by way of reference.

(j) In November 2023, a transaction was completed under which Ithaca UK acquired additional interests in licenses P.1028 and P.1189 of the Cambo Reservoir (hereinafter - "**Cambo**") by

[2] the Financial Conduct Authority - the regulator that deals with financial services and public companies in the UK.

acquiring the entire interests of the seller of approx. 30% of the Cambo Reservoir, such that subsequent to completion of the transaction, Ithaca, which serves as the operator of the reservoir, holds the entire interests in Cambo (100%) (hereinafter - the "**Shell Transaction**"). The effective date for the purchase of the interests is November 4, 2023. For further details, see the Company's immediate reports dated September 12, 2023 (Ref. No. 2023-01-086038) and November 30, 2023 (Ref. No.: 2023-01-130800), the details of which are included herein by way of reference.

For further details regarding Ithaca Group, its assets and operations, see Section 1.8.4 below, and also Note 9.A1 to the annual Financial Statements included in Chapter C of this Report.

(k) For definitions of some of the professional terminology used in this chapter, see the appendix attached to Section 1.7 above.

1.8.2 **Summary of reserves data**

(a) As at the report approval date, the reserves and contingent resources attributed to the Company's overseas oil and natural gas assets are all in the oil assets of Ithaca Group on the UK Continental Shelf in the North Sea region.

(b) For information concerning the resources survey report prepared for the Company by Netherland, Sewell & Associates Inc., the Company's independent reserves appraiser (hereinafter - "**NSAI**" or the "**Reserves Appraiser**"), which was prepared in accordance with the guidelines of the Petroleum Resources Management System (SPE-PRMS) and which contains, among other things, the NSAI assessments with regard to the volume of the reserves and contingent resources attributed to Ithaca's oil assets, as at December 31, 2023 (hereinafter - the "**NSAI Report**" or the "**Resources Report**"), see the immediate report issued by the Company dated March 27, 2024 (Ref. No.: [2024-01-032556]), where the information appearing in said reports are noted here by way of reference. In addition, a letter of consent from NSAI to include the Resources Report in this Report, including by way of reference, is attached as **Appendix B**.

(c) According to the NSAI Report, Ithaca's material oil assets are divided into twelve asset groups that include eight producing groups/reservoirs (or reservoirs that are connected or intended to be connected to producing reservoirs as an operating unit) and four reservoirs that, as at the reporting date, are non-producing, as follows:

Producing groups/reservoirs (or assets connected to or designated for connection to producing assets as an operating unit):

(1) Captain Reservoir;

(2) The Greater Stella Area Project, which includes four producing assets (Stella, Abigail, Vorlich, and Harrier) (hereinafter - the "GSA Area");

(3) Schiehallion Reservoir;

(4) Greater Britannia Area project, which includes five producing assets (Alder, Britannia, Brodgar, Callanish, and Enochdhu) and three oil assets which, as at the reporting date, are non-producing (Leverett, Congress and Fotla) (hereinafter - the "**GBA Area**");

(5) MonArb Area project, which includes eight producing assets (Montrose, Arbroath, Arkwright, Brechin, Cayley, Godwin Shaw, and Wood) and the K2 oil asset, which, as at the reporting date, is non-producing (hereinafter - the "**MonArb Area**");

(6) The Mariner Area project, which includes the Mariner producing oil asset and two oil assets which, as at the reporting date, are non-producing (Cadet and Mariner East) (hereinafter - "**Mariner Area**");

(7) A cluster of other oil assets that are not operated by Ithaca Group companies, which includes four producing assets (Pierce, Jade, Elgin-Franklin, and Columba Terraces) (hereinafter - (the "**Group of Other Non-Operated Assets**");

(8) A cluster of other oil assets for which Ithaca's subsidiaries serve as operator, which includes three producing assets (Cook, Alba, and Erskine) (hereinafter - the "**Group of Other Operated Assets**");

Assets which, as at the reporting date, are non-producing:

(9) Rosebank reservoir;

(10) Cambo reservoir;

(11) Tornado reservoir;

(12) Marigold reservoir;

(d) Below is a breakdown of information regarding the volume of proved and probable (2P) reserves and the volume of best estimate contingent (2C) resources, attributed to the Company's share - through its holding in Ithaca - in all its oil assets (consolidated), as at December 31, 2023, in (hereinafter - "**MBOE**").[3] For further details with regard to Ithaca's oil assets and the resources attributed to them, see Section 1.8.4 below and the Resources Report.

	Total share of Delek Group in reserves and contingent resources (MBOE)		
	Reserves (2P)	**Contingent resources (2C)**	**Total contingent reserves and resources (2C+2P)**
Captain Reservoir	67,045	10,953	77,998
GSA Area	5,150	10,314	15,464
Schiehallion Reservoir	22,058	6,978	29,036
GBA Area	14,956	15,940	30,896
MonArb Area	16,969	7,779	24,748
Mariner Area	10,947	2,836	13,783
Group of Other Non-Operated Assets	24,666	3,772	28,438
Group of Other Operated Assets	21,713	8,263	29,976
Rosebank reservoir	41,360	15,061	56,421
Cambo reservoir	-	128,742	128,742
Tornado reservoir	-	30,119	30,119
Marigold reservoir	-	16,458	16,457
All of Ithaca's assets	**224,864**	**257,214**	**482,078**

3 *Numbers are rounded. Working interest volumes are after deductions for shrinkage to account for processing, fuel, and flare. Conversion key - the conversion to MMBOE was estimated considering the following data: conversion rate of natural gas is 1:5.8 BOE to MMcf, i.e. each 5.8 MMCF is equivalent to 1 BOE; the key to the conversion of oil and LPG units is 1:1 BBL to BOE, i.e. every 1 BBL is equivalent to 1 BOE.*
Caution - MMBOE units may be misleading, especially when used without taking into account additional characteristics; the conversion is made according to the energy ratio at the burner and does not represent an equivalent economic value.

1.8.3 **<u>General information about the operating segment</u>**[4]

The Company's operations in the Foreign Energy Segment vary according to the location of the projects, among other things, due to the regulatory regime applicable in the various operating areas.

(a) <u>Structure and changes to operating segment</u>

Oil and natural gas exploration, development and production operations are complex, involving considerable costs and significant uncertainty as to costs, schedules, availability of oil or natural gas and the ability to produce it while maintaining economic viability. Consequently, notwithstanding considerable investments, drilling sometimes does not achieve positive results and does not generate any revenues whatsoever, or result in loss of most or part of the investment. For general information about the nature of exploration, development and production of oil and natural gas, see Section 1.7.3(a) above.

In most of the areas where the Company's oil assets are located on the UK Continental Shelf, there is a very sophisticated market for both oil and gas, and in most cases the hydrocarbons produced can be sold and supplied directly through an existing transmission pipeline only a few kilometers from a new development at a usage fees. In some cases, this would be an Open Access pipeline, the price for which is usually controlled. In many cases, the hydrocarbons can even be sold at the entrance to the pipeline at a price that includes a certain discount on the market price at an amount similar to the costs of alternative transmission means.

In most cases, the development of oil and gas assets in the areas where the Company's oil assets are located is based on local know-how and experience accumulated with regard to nearby and similar assets, as well as regarding the extensive use of existing infrastructures. These circumstances often result in shorter development time of oil assets and less capital expenditure needed than in many other places worldwide.

In the UK, an oil or gas field lies in the area of a single license or concession or of a number of licenses or concessions that are granted by the relevant gas and oil authorities, and each field may contain a number of oil and/or natural gas reservoirs. For details regarding the authorities regulating the Company's oil assets, see Section 1.8.21 below.

For licenses that have multiple partners, joint operating agreements have been signed that regulate the exploration, development and production operations between the partners in the oil assets (hereinafter - the "**Joint Operating Agreement**" or "**JOA**"). With regard to some of the oil and gas fields that cover the areas of more than one license, the various partners signed an additional agreement called a Unitisation and Unit Operating Agreement Unitization (UUOA) or Joint Development and Operating Agreement, regulating operations in the unitized fields, including the production of oil and gas in the asset (hereinafter - "**UUOA**").

(1) <u>UK</u>

To the best of the Company's knowledge, the UK is the second largest natural gas and oil producer in Europe. In general, the UK Continental Shelf can be divided into five main areas: Central North Sea, Northern North Sea, Southern North Sea, West of Shetland area in the North Atlantic Ocean, and the Irish Sea, while the vast majority of natural gas and oil produced in the UK are from offshore reservoirs in the North Sea. In the area of the UK Continental Shelf there is an extensive pipeline network for piping the oil and natural gas produced on the offshore rigs to the onshore terminals in the UK. Amoco initially discovered oil in the UK part of the North Sea in 1969 in what is now known as the Arbroath field (in which Ithaca has interests since 2021 - see Section 1.8.4(g) below), and the production of oil in the UK seas began in June 1975 from the Argyll field in the Central North Sea. The Company, through its holdings in Ithaca, holds interests in assets in the UK Continental Shelf in the North Sea and the West of Shetland area.

(b) <u>Restrictions, legislation and special constraints that apply to this area of activity</u>

For details regarding applicable regulation in countries where the exploration, development and production of oil and natural gas is carried out, see Section 1.8.21 below. For details about the tax

---

[4] Unless stated otherwise, the information contained in this section is mainly based on the BP Statistical Review of World Energy (July 2023), The World Energy Outlook 2023 of the International Energy Agency, and the 2023-2045 World Oil Outlook of OPEC and are to the best of the Company's knowledge. To view the reports, see: https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/energy-outlook/bp-energy-outlook-2023.pdf https://www.iea.org/reports/world-energy-outlook-2023 and https://www.opec.org/opec_web/en/publications/340.htm

regime in the UK, where the Company's oil assets are located in the area of activity, see Section 1.8.19 below.

(c) Changes in the volume of operations and profit of the segment

The global oil and gas industry is seriously affected by changes in supply and demand, and crude oil prices are known to be highly volatile. Three major factors affecting crude oil prices are volume of oil supply from OPEC (Organization of the Petroleum Exporting Countries)[5] and from non-OPEC countries, and the global demand for crude oil. Crude oil prices are also affected by production capacities and costs, and the development of cleaner or cheaper energy production capacities.

(1) UK

Oil production in the UK peaked towards the end of the 1990s, and declined in subsequent years; from 2014 to 2019, oil production was on the rise, and in 2019-2021, the UK reduced its oil production rate by approx. 22%. Oil consumption peaked in the UK in 2005, and declined in subsequent years; in 2013-2017, the trajectory changed, and oil consumption was on the rise. As from 2018, oil consumption started to decline, when between 2019 and 2021 it saw a decrease of approx. 19% in the UK.

UK natural gas production peaked towards the beginning of the 2000s and declined over the following years, leveling out in 2014. In 2015-2017, the production of natural gas increased and in 2018 it decreased. Between 2019-2021, natural gas production in the UK declined by approx. 17%. In 2020, there was a decrease in the demand for natural gas that can be attributed to the Covid-19 crisis, and 2021 saw a approx. 5% increase in natural gas consumption in the UK.

Since 2010, oil production declined faster than the decline in consumption, with the UK becoming dependent on importing crude oil and fuel products.

Despite being an importer of crude oil and fuel products, the UK is still one of the largest oil producers and exporters in Europe. According to the North Sea Transition Authority (hereinafter - "**NSTA**") publications, oil and natural gas will remain an important part of the UK's energy mix, and offshore production from the UK Continental Shelf remains essential in order to meet the UK energy products demand. According to a report published by the NSTA in October 2023, the UK Continental Shelf region contains, as of the end of 2022, contingent resources totaling approx. 10 BBOE.[6]

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

Fluctuations in the oil and gas prices, as well as the prices of alternative fuels, will affect the prices that the Company can obtain from its customers for the oil and natural gas sold by the Company, which will affect the viability of production, the Company's decision whether the development of any particular reservoir will be economically viable, and the decision of the parent company whether or not to engage in exploration or development operations.For further information and details, see Section 1.6.7 below.

(e) Technological changes

In recent years there has been a significant increase in commercial production of oil and natural gas from Shale reservoirs. Shale is a sedimentary rock (clay or flakes) with low conductivity and porosity. Oil and gas production is possible by using hydraulic fracturing, or fracking technologies and horizontal drilling.

A large quantity of the oil in the reservoirs is not recoverable by normal production processes, but now can be recovered by using more complex production techniques such as injection of heat, chemicals, carbon dioxide (CO^2) or other gases. These techniques have been successfully used in several countries for decades and are known as Enhanced Oil Recovery (EOR) techniques. Ithaca has developed expertise in the EOR production method, which improves the flow rate of the oil by increasing viscosity through the injection of polymers into the wells, and is a pioneer in EOR production in the North Sea region. For further details, see the description of the Captain reservoir in Section 1.8.4(c) below.

For further information regarding technological developments, see Section 1.7.3(E) above.

---

5 At Reporting Date, OPEC member countries are Algeria, Angola, Iran, Gabon, Equatorial Guinea, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates and Venezuela.

6 See the NSTA report in the link: https://www.nstauthority.co.uk/news-publications/reserves-and-resources-2022-report/

(f) Critical success factors in the operating segment

For information concerning critical success factors in this operating segment, see Section 1.7.3(f) above.

(g) Changes in raw materials and suppliers

For information concerning changes regarding raw materials and suppliers, see Section 1.8.15 below.

(h) Entry and exit barriers

The main entry barriers in the oil and gas sector are the need to obtain permits and licenses for exploration, development and production of oil and natural gas from the competent authorities in each country in whose territory the Company's assets are located and subject to the regulations applicable in each region[7] and/or the land owners and the availability of a financial resources to make the large-scale and relatively high financial investments required to carry out such operations. In addition, engaging in these operations requires considerable expertise, including the ability to locate suitable assets for exploration or production.

The main exit barriers in this operating segment are the obligation to dismantle production facilities before decommissioning the oil and natural gas assets, which sometimes involves very significant costs. In addition, due to the professional and economic capabilities required for the operating segment, the number of potential buyers for oil and gas assets is sometimes limited, which may delay the ability to sell the assets at the appropriate price and exit the industry.

(i) Substitutes for products of the operating segment

The use of renewable energy in the UK, particularly in the electricity sector, has doubled in the last decade. Nonetheless, oil and natural gas continues to be a major share of energy consumption in the UK. According to the International Energy Agency publications, by 2030 the use of renewable energies may be as high as 50% in the UK.

(j) Structure of competition in the area of activity

For details regarding the structure of the competition in this operating segment, see Section 1.8.10 below.

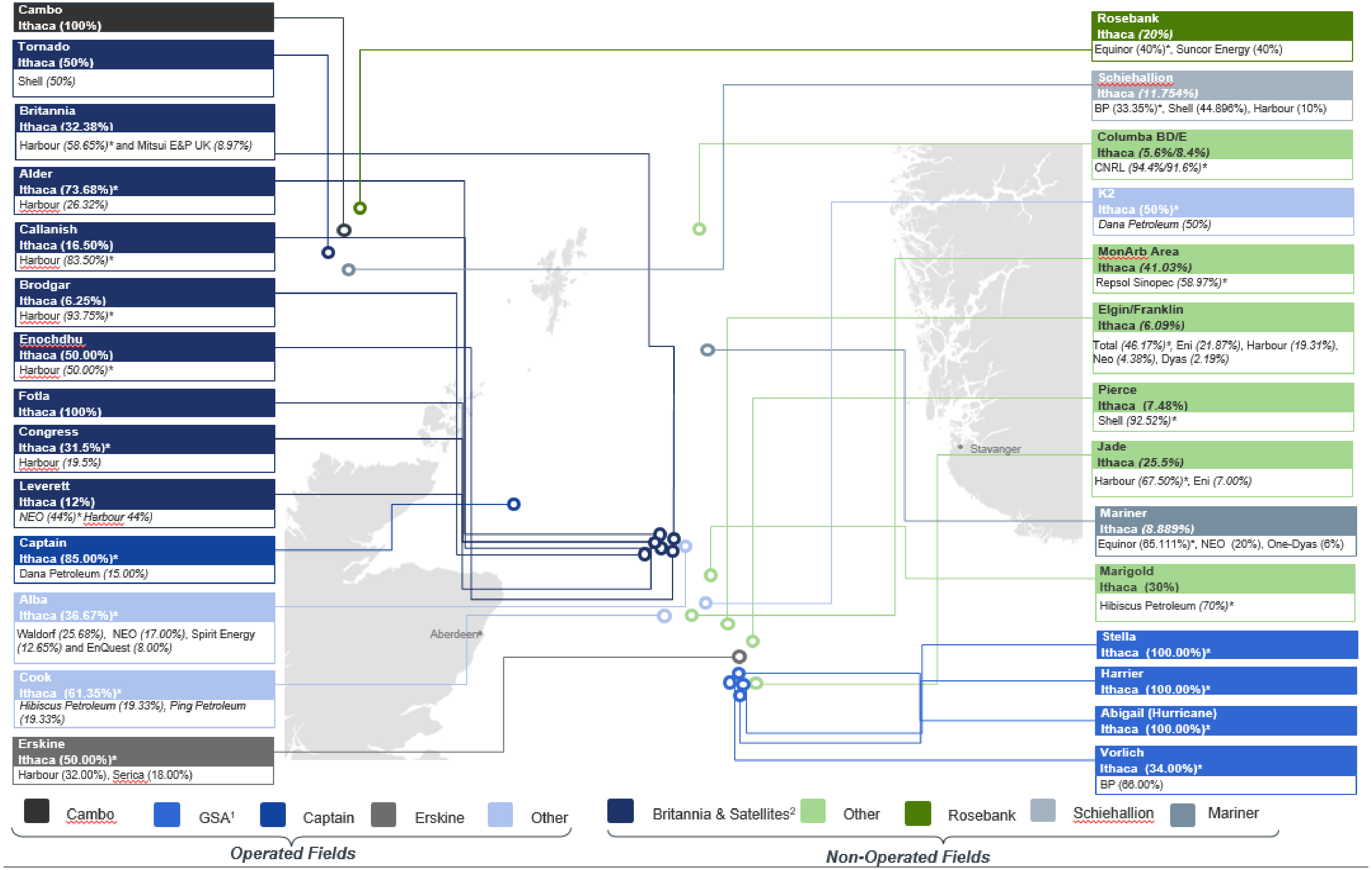
[7] For details concerning the regulation applicable to this operating segment, see Section 1.8.21 below.

Breakdown of the Company's oil assets abroad

1.8.4 **Ithaca's oil assets on the UK Continental Shelf**

(a) Map of Ithaca's assets

Below is a map indicating the location of Ithaca's oil assets on the UK Continental Shelf in the North Sea and in the West of Shetland area in the northern Atlantic Ocean:



(b) **<u>Resources and cash flow information with regard to Ithaca's oil assets (consolidated)</u>**

For details concerning the resources and discounted cash flows relating to all of Ithaca's assets (consolidated) as at December 31, 2023, see Section 2 of the Resources Report. For information about the adjustment between data in the previous reports regarding the quantity of resources attributed to all Ithaca assets (consolidated), see Section 15 of the Resources Report. The NSAI consent letter to include the NSAI Report in this report, including by way of reference, is attached as **<u>Appendix B</u>** to this report.

Below is a breakdown of the Ithaca Group's key asset groups.

(c) **<u>Captain Reservoir</u>**

(1) <u>General</u>

Captain Reservoir is a producing reservoir located in the northern North Sea, approx. 145 km northeast of Aberdeen, Scotland, at a 106-meter water depth, and it mostly contains heavy oil. The reservoir includes three licenses, as set out below. As of the date of the report, the Captain Reservoir has 46 active wells, including 5 wells that use water injection, 6 wells that use polymer injection, 21 producing wells that use water piping, and 14 producing wells that use polymer piping. The reservoir is divided into three areas: (1) Area A, which is the main area; (2) Area B, which is the eastern part of the field; and (3) Area C, in the easternmost part of the field. These areas fall under the P.324 license, in which Ithaca Group holds 85% of the interests. To the north of this license area, there are two other licenses in the exploration stage – P.2513 Captain Extension, in which Ithaca holds 100% of the interests, and P.2514 Housedon.

In the Captain field, Ithaca applies the EOR production method, a method intended to improve the flow rate of the oil by increasing viscosity by injecting polymers into the wells.[8]

The crude oil produced from Captain Field is treated via two production and treatment facilities, and from there stored in a floating production storage and offloading vessel (hereinafter in this section - the "**Floating Facility**") that is stationed in Area A of the Field and is wholly owned (100%) by the partners in the Captain Field (License P.324). From the Floating Facility the crude is transferred to shuttle tankers used for maritime shipping of the crude, and from there directly to customers.

(2) <u>General details</u>:

General details	
Name of oil asset:	<u>**Captain**</u> P.324 P.2513 P.2514
Location:	Captain Reservoir is in the North Sea, on the UK Continental Shelf, approx. 145 km northeast of Aberdeen, Scotland, at a 106-meter water depth.
Type of oil asset and description of permitted operations according to the type:	Exploration, development and production licenses for oil and gas resources issued by the UK government
Original grant date of the oil asset:	<u>Captain</u> P.324 - Jun. 10, 1981 Captain Extension P.2513 – Dec. 1, 2020 Housedon P.2514 – Dec. 1, 2020
Original expiry date of the oil asset:	Captain P.324 - Mar. 15, 2018

8 Ithaca has developed expertise in production in the EOR method. For further details, see Section 1.8.3(e) above, and Section 1.8.4(c)(3) below.

General details	
	Captain Extension P.2513 – Dec. 1, 2026 Housedon P.2514 – Dec. 1, 2025
Dates of decisions regarding extension of the term of the oil asset:	Captain P.324 - Mar. 12, 2018
Current expiry date of the oil asset:	Captain p. 324 - A producing asset and therefore no expiry date was set. The license may expire if production is discontinued for 12 consecutive months. Captain Extension P.2513 – Nov. 30, 2026 Housedon P.2514 – Dec. 1, 2025
Note whether there are additional options for extending the term of the oil asset; if such option exists - the term of the possible extension should be noted:	P.2513 - subject to completing certain operations in the work plan, the term of the license may be extended until November 30, 2044 (the license expiry date). P.2514 - Subject to completing certain operations in the work plan, the term of the license may be extended until December 1, 2029, with an additional extension through to December 1, 2047.
Name of the operator:	Ithaca UK
Names of the direct partners in the oil asset and their direct share in the oil asset and, to the best of the Company's knowledge, the names of the controlling shareholders in the partners:	Captain P.324: Ithaca Group - 85% Dana Petroleum (E&P) Limited (hereinafter - "**Dana Petroleum**")[9] - 15% Captain Extension, Housedon P.2514 & P.2513: Ithaca Group - 100%

[9] To the best of the Company's knowledge, a wholly-owned privately-held company (100%) of Korea National Oil Corporation, the national oil and gas company of South Korea.

General information about the Company's share in the oil asset	
Acquisition date:	P.324 The interests were acquired under the Chevron Transaction that was signed on May 29, 2019 and is valid since January 1, 2019. P.2514 & P.2513: The interests were acquired in Tender No. 32 for license tenders in the UK.
Description of the Company's holding in the oil asset:	Through the Company's holdings (indirect) in Ithaca shares
Effective share of oil asset revenues attributable to equity holders of the Company:	<u>Captain</u> P.324- 75.27% <u>Captain Extension</u> P.2513: - 88.55% P.2514 - 88.55%
Total share of equity holders of the Company in the cumulative investment in the oil asset in the five years preceding the last day of 2023 (whether recognized as an expense or as an asset in the financial statements):	Approx. USD 500 million

(3) <u>Past operations and additional information</u>:

The Captain Field was discovered in 1977 by a third party, and development of the field began in 1995. In Areas A, B and C, which lie in the license P.324 area, production began in 1997, 2001 and 2006, respectively.

The Floating Facility and production and treatment facilities were installed in Area A of the Field in 1996. In 2000 an additional production and treatment facility was installed, that was connected to the first facility in 1996, as aforesaid. In addition, in 2000 a subsea pipeline was installed in Area B of the Field. Another subsea pipeline was laid in 2006 to allow further development of Area C of the Field. All these facilities are owned by the partners in the Captain Field (License P.324).

In November 2018, the Captain Field partners obtained OGA approval for the field development plans that refer to the EOR development method. The development plan is being implemented in two stages (Stage A, Area A of the Field and Stage B, Areas B and C of the Field) and includes mainly, an undertaking to drill seven additional wells and injection of polymers to the field to accelerate the oil recovery rate. As at the report approval date, Stage A of the development plan, which included drilling five producing wells and two polymer injection facilities in Area A of the field, has been completed, and the implementation of Stage B, within which, four producing wells were drilled and seven polymer injection facilities were installed in Field Areas B and C, has commenced. In November 2022, production started from the first well in which Stage B was implemented.

(4) <u>Compliance with work plan</u>:

To the best of the Company's knowledge, the binding work schedule for the foregoing assets, until the date of publication of this report, has been fully implemented.

(5) <u>Actual and planned work schedule</u>:

Below is a summary description of the main actions actually carried out in the oil assets in the Captain Reservoir as from January 1, 2021, and a summary description of planned actions:

Period	Summary of operations implemented in the period and the planned work schedule	Estimated total budget for operations on the level of the oil asset (in USD million)	Actual participation of the Company's equity holders in the budget (in USD million)
2021	• Continuing drilling in Area A and upgrading the facilities • Areas B and C - Captain Field - approval of plan to expand the use of the EOR method in these areas and development of the reservoir lower strata • Nutmeg, Surprise - decision regarding execution of exploration drilling as per the terms of the license • Further polymer injection as part of the restoration	Approx. 128	Approx. 93
2022	• Further drilling in Area A, upgrading the facilities and polymer injection • Captain Field - Area B and C - preparations for start of polymer injection	Approx. 254	Approx. 192
2023	• Further facilities upgrades • Captain Field - Area B and C - further polymer injection wells for production	Approx. 305	Approx. 230
2024	• Further facilities upgrades • Captain Field - Area B and C - further polymer injection wells for production	Approx. 322	Approx. 243
2025 onwards	• Continuing drilling in Area A and upgrading the facilities	Approx. 1,653	Approx. 1,244

Forward-looking information - the information concerning the planned operations in the oil field, including with regard to costs, time schedules and actual execution, is forward-looking information, as defined in the Israel Securities Law, and are based the assessments of Ithaca Group that depend, among other things, on third parties, climate conditions, economic conditions, regulatory changes, technical capacities, availability of equipment and other factors that are beyond the Company's control. Consequently, implementation of the work schedule, including timetables and costs, may differ materially from the estimates described above.

(6) Share in the actual expenses and revenues relating to the Captain Reservoir:

The actual participation rates in the expenses and revenues related to the asset group that were attributed to the Company's equity holders are equivalent to the share that is effectively attributed to the Company's equity holders in these assets, as set forth in the tables in Section (2) above (under General Details), as no royalties are paid on these assets to the UK government or to third parties, and no other payments derived from the revenues or the expenses are paid from revenues or expenses under income and expenses.

(7) Description of material agreements between the partners in the assets:

A. Captain Field (License P.324) JOA:

The exploration, development, and production activities in accordance with the P.324 License are performed in accordance with a joint operating agreement the reservoir partners had signed, and its provisions concern, inter alia, the following issues: regulating the parties' participation rates in the asset; ownership of the asset; supervision, control, and division of the risks involved in the exploration, development, and production of oil and gas in the assets;

procedures and methods for submitting and approving work plans, budgets and AFE authorizations, and for executing the operations in the fields that the JOA applies to. The JOA provisions also relate to the following matters: the joint venture parties; the role and authority of the designated operator for the asset; the joint operating committee, its powers, voting rights and how decisions will be made; exploration, development and production decision making mechanisms, and procedures for determining budgets; transfer of interests in an oil asset; decommissioning guidelines; obligations; dispute resolution; and accounting procedures. It is noted that the JOA permits transfer of participation interests of a party to the asset, in whole or in part, only if the transferee has financial and/or technical resources, including if the transferee is not a related party. A licensee partner's right of transfer as aforesaid is subject to the first refusal rights of the other partners (other than when transferring to a related party of the transferring partner), which gives them priority to purchase the interests before they are offered to a third party.

The Operator will act both as a holder of interests in the asset and on behalf of all the partners as the Operator under the supervision of the joint operating committee. The definition of the Operator's role includes: (i) submitting and approval of work plans, budgets, and authorizations for expenditure (AFE) for the executing the operations in the fields that the JOA applies to, subject to the approval of the joint operating committee; (ii) planning, ordering and receiving necessary materials and services; (iii) providing technical, accounting and consulting services required for the joint operation of the asset.

A party that fails to pay its pro rata share in the joint expenses on time, including advance payments and interests, will be considered to be a breaching party (hereinafter - the "**Breaching Party**"). If the breach continues for a period as set in the JOA (usually 6 business days from the Breaching Party's receipt of notice of arrears) the non-breaching parties will pay the Breaching Party's debt (pro rata to their interest), and the Breaching Party will not be entitled to receive its share of the oil, and this share will become the property of the non-breaching parties, and they will be entitled, subject to the procedures set out in the JOA, to collect their due from this share up to full payment of the amount in the breach. If the breach continues for longer, as set out in the JOA (exceeds 60 days), the Breaching Party's interests may be forfeited and allocated among each of the non-breaching parties pro rata to their holdings.

Given the fact that the Ithaca Group holds 85% of the interests in the JOA, based on a mechanism in the JOA, it will make most decisions, other than decisions with regard to waiving part of the areas under the License, and any decision that would mean waiving the License, which would require a unanimous decision.

B. As the Ithaca Group wholly owns (100%) of the P.2513 and P.2514 licenses, there is no JOA for these licenses.

(8) <u>Resources and discounted cash flow data for the Captain Reservoir</u>

For details concerning the resources in the Captain Reservoir and discounted cash flows deriving from it as at December 31, 2023, see Section 3 of the NSAI Report. The NSAI consent letter to include the NSAI report in this report, including by way of reference, is attached as **<u>Appendix B</u>** to this report.

(d) **<u>The GSA Area assets</u>**

(1) <u>General</u>

The GSA Area contains producing oil assets the Stella, Vorlich, Abigail (formerly known as Hurricane), and Harrier. Ithaca UK serves as the Operator in all these licenses. In all the GSA Project oil assets, exploration and appraisal drillings were carried out by third parties in the past, and petroleum reservoir were discovered, as will be detailed below.

Production from the GSA Area producing oil assets is carried out using the floating production facility, FPF-1, that is owned by Ithaca (hereinafter - the "Floating Production Facility"). The floating production facility is connected to the subsea infrastructure that includes two main pipelines to the UK market: the Central Area Transmission System (hereinafter - "**CATS**") and the Norpipe pipeline that lies in the North Sea and supplies oil to the UK shore, as an alternative to using tankers. Ithaca Group holds all the interests in the Floating Production Facility and all the interests in the GSA Project licenses, other than the Vorlich license, and all as set out in the table below.

The use of the Floating Production Facility as the key infrastructure of the GSA Area fields contributes to lowering the costs involved in development and in production of oil and natural gas from the close-by fields, over many years. Below are details regarding the GSA Area assets and Ithaca's interests therein:

A. Stella Reservoir is in the center of the North Sea, approx. 260 km east of Aberdeen, Scotland, at a 100-meter water depth, and it mostly contains gas. A subsea infrastructure connects the oil asset to the Floating Production Facility, and production from it has started in February 2017. Ithaca wholly owns (100%) the interests in the assets and is an operator thereof.

B. The Harrier Oil Asset is in the center of the North Sea, approx. 10 km south of the Stella Reservoir and approx. 260 km east of Aberdeen, Scotland, at a 100-meter water depth, and it mostly contains gas and condensate. In 2018, Ithaca completed the development of the oil asset and its connection to the Floating Production Facility. Ithaca wholly owns (100%) the interests in the assets and is an operator thereof.

C. Vorlich Oil Asset is in the center of the North Sea, approx. 10 km north of the Stella Reservoir and approx. 260 km east of Aberdeen, Scotland, at a 91-meter water depth, and it mostly contains light oil. In 2020, Ithaca completed the development of the oil asset and its connection to the Floating Production Facility, and production from the field commenced. The oil asset comprises two licenses in which Ithaca has interests at a variable rate, as stated in the table below. Ithaca is the asset's operator.

D. The Abigail Oil Asset is in the center of the North Sea, 10 km west of the Stella Reservoir and approx. 260 km east of Aberdeen, Scotland, at a 91-meter water depth, and it mostly contains oil and natural gas. In October 2022, only ten months following the development plan, Ithaca completed the development of the oil asset and its connection to the Floating Production Facility, and production from the field commenced. Ithaca wholly owns (100%) the interests in the assets and is an operator thereof.

(2) General details

General details	
Name of oil asset:	**The GSA Area assets – a four asset cluster:** Stella Harrier Vorlich Abigail
Location:	The North Sea area. Approx. 260 km east of Aberdeen, Scotland.
Type of oil asset and description of permitted operations according to the type:	Exploration, development and production licenses for oil and natural gas resources issued by the UK government
Original grant date of the oil asset:	Stella & Harrier: P.011 - Sep. 18, 1964 Vorlich: P.363 - Dec. 17, 1980 P.1588 - Feb. 12, 2009 Abigail (formerly Hurricane): P.1665 - Feb. 12, 2009
Original expiry date of the oil asset:	Stella & Harrier: P.011 - Sep. 17, 1970 Vorlich: P.363 - Dec. 16, 1986 P.1588 - Nov. 11, 2014

General details	
	Abigail (formerly Hurricane): P.1665 - Feb. 11, 2013
Dates of decisions regarding extension of the term of the oil asset:	Stella & Harrier: P.011 – Sep. 17, 2013 Vorlich: P.363 – Dec. 16, 2020 P.1588 – Oct. 12, 2018 Abigail (formerly Hurricane): P.1665 – Nov. 30, 2020
Current expiry date of the oil asset:	Stella & Harrier P.011 - fields under a production license and therefore no expiry date was set. The license may expire if production is discontinued for 24 consecutive months. Vorlich P.363 - fields under a production license and therefore no expiry date was set. The license may expire if production is discontinued for a period of 12 consecutive months. P.1588 - Feb. 11, 2035 (estimate) Abigail (formerly Hurricane) P.1665 – Feb. 11, 2035
Note whether there are additional options for extending the term of the oil asset:	
Note name of the operator:	Ithaca UK serves as the Operator in all these licenses
Names of the direct partners in the oil asset and their direct share in the oil asset and, to the best of the Company's knowledge, the names of the controlling shareholders in the partners:	**Stella & Harrier:** P.011 - Ithaca Group - 100% **Vorlich:** The assets consists of two licenses, which is subject to a UUOA under which it was agreed that, inter alia, Ithaca's interests and liabilities in the Vorlich licenses will be 34%; for further details, see Section 5(b) below. P.363 (Block 30/1c Lower): Ithaca Group - 50% BP Exploration - 50% P.363 (Block 30/1c Upper): Ithaca Group - 20% BP Exploration - 80% P.1588 - Ithaca Group - 100% **Abigail (formerly Hurricane):** P.1665 - Ithaca Group - 100%

General information about the Company's share in the oil asset	
Acquisition date of the lease for the acquired oil asset:	Ithaca first acquired interests in the Stella, Harrier and Abigail (formerly Hurricane) licenses in 2008-2009. Ithaca first acquired the interests in the other GSA licenses in 2020-2016.
Description of the Company's holding in the oil asset:	Through the Company's holdings in the shares of Ithaca.
Effective share of oil asset revenues attributable to equity holders of the Company:	Stella & Harrier - 85.60% Abigail (formerly Hurricane) - 88.55% Vorlich - 30.11%
Total share of equity holders of the Company in the cumulative investment in the oil assets in the five years preceding the last day of 2023 (whether recognized as an expense or as an asset in the financial statements):	The Stella and Harrier fields – approx. USD 77 million The Abigail Field (formerly Hurricane) – approx. USD 109 million Vorlich Field - approx. USD 63 million

(3) Compliance with the work plan

To the best of the Company's knowledge, the binding work schedule for the foregoing assets, until the date of publication of this report, has been fully implemented.

(4) Actual and planned work schedule

Below is a breakdown of the main actions actually carried out in the GSA Area oil and natural gas assets from January 1, 2021 through publication of this Report and of the planned operations:

Period	Summary of actual operations in the period or of the planned work plan	Estimated total budget for operations according to oil asset (in USD million)	Actual participation of the Company's equity holders in the budget (in USD million)
2021	• Necessary operations for developing the Abigail (formerly Hurricane) oil asset have been completed	Approx. 36	Approx. 32
2022	• To complete necessary operations for developing the Abigail (formerly Hurricane) oil asset	Approx. 85	Approx. 73
2023	• Maintenance and upgrade of FPF-1 production platform	Approx. 30	Approx. 23
2024	• Maintenance and upgrade of FPF-1 production platform	Approx. 4	Approx. 3
2025 onwards	• Maintenance and upgrade of FPF-1 production platform	Approx. 2	Approx. 1

Forward-looking information - the foregoing estimates concerning the planned operations in the GSA Area, including with regard to costs, time schedules and actual execution are forward-looking information, as defined in the Israel Securities Law, and are based the assessments of Ithaca Group that depend, among other things, on third parties, climate conditions, economic conditions, regulatory changes, technical capacities, availability of equipment and other factors that are beyond the Company's control. Consequently, implementation of the work schedule, including timetables and costs, may differ materially from the estimates described above.

(5) Further information concerning the GSA Area

A. Stella and Harrier Oil Assets

The Stella field that was discovered by a third party in 1979, with an area of approx. 22 sq. km, and containing oil, natural gas and condensate, and the Harrier field, that was discovered by a third party in 2002, located approx. 10 km to the south of the Stella Reservoir and containing oil and natural gas. As at Reporting Date, Ithaca holds all the interests (100%) to the assets and serves as their operator.

Ithaca first acquired interests in 66.67% of the assets in 2008 from third parties, and under the transaction undertook to pay the sellers an overriding royalty of 5% for the interests purchased from them at a rate of 66.67% (i.e. 3.33%). Ithaca acquired the remaining interests in the license in 2018. Prior to the acquisition of the interests, third parties carried out approx. 10 exploration and appraisal drillings in the license area.

In the Stella Reservoir, in 2013-2015, Ithaca completed drilling of five development wells and began production from the reservoir via the Floating Production Facility in February 2017.Ithaca's total investment in the Stella Reservoir development plan amounted to approx. USD 700 million.

Implementation of the Harrier Reservoir development plan began in early 2017. The development included one drilling that consisted of two sidetracks into two target layers, which were completed in September 2017. In 2018, installation of a 9 km long subsea pipeline was completed, connecting the reservoir to the Floating Production Facility. Initial production from the Harrier Reservoir began in July 2018. Ithaca's total investment in the Harrier Reservoir development plan amounted to approx. USD 62 million (for 66.67% of the participation interests).

B. Vorlich oil asset

The Vorlich Reservoir, discovered by third parties in 2014, lies in the area of two licenses, the Vorlich (P.363) license (hereinafter - "**Vorlich-1**") and Vorlich (P.1588) license (hereinafter - "**Vorlich-2**"); commercially, the Vorlich-1 license is divided into two tiers: Block 30/1c Lower and Block 30/1c Upper; Ithaca has different percentages of the interests in each of those tiers, as described in the above table (hereinafter - the "**Vorlich Reservoir**").

Ithaca acquired the interests in the Vorlich licenses from third parties in 2016. The area in which the Vorlich Reservoir is located is subject to a UUOA uniting Vorlich-1 and Vorlich-2 licenses, which was signed on September 2018 between Ithaca and BP Exploration; under the agreement it was agreed that, inter alia, Ithaca's interests and liabilities in the Vorlich licenses will be 34%. For further details regarding this agreement, see Section 1.8.4.(d)(7)b below.

C. Abigail (formerly Hurricane) Oil Asset

The interests in the Abigail oil asset (formerly: Hurricane) were granted to Ithaca from the competent UK authority in 2009. The existing reservoir in the oil asset's area was discovered by a third party in 1995, and contains natural gas and condensate. In 2012, Ithaca conducted appraisal drilling in the field, and production verification tests. In 2020, Ithaca submitted a detailed development plan to the competent authority that regulates activity in the area, and production in the field started in October 2022, after completing the development plan. It is noted that the authorities officially changed the name of the field from Hurricane to Abigail.

(6) Actual participation rate in the GSA Area revenues and expenses

A. The actual participation rates in the revenues and expenses due to the Vorlich and Abigail oil assets, that are attributed to the Company's equity holders, are equivalent to the part that is effectively attributed to the Company's equity holders in these assets, as set forth in the tables in Section (2) above (under General Details), as no royalties are paid on these assets to the UK government or to third parties, and no other payments derived from the revenues or the expenses are paid from income and expenses.

B. The actual rate of participation in the income and expenses of the Stella and Harrier oil assets are as set out in the table below:

Participation rate	Holding rate	Percentage grossed up to 100%	Explanations
Actual rate attributable to equity holders of the Company in the oil asset	88.55%	100%	See the description of the chain of holdings in Section 1.8.1(b) above.
Actual rate attributable to equity holders of the Company in revenues from the oil asset	85.60%	96.67%	Royalties of 5% for 66.67% of the interests (i.e., net 3.33%) is paid to third parties from which the interests were purchased. See the description of the chain of holdings in Section 1.8.1(b) above.
Actual rate of participation of the Company's equity holders in expenses arising from exploration, development or production operations in the oil asset	88.55%	100%	See the description of the chain of holdings in Section 1.8.1(b) above.

(7) Description of the material agreements between the partners in the GSA area

A. Subsequent to the acquisition of the additional interests in the GSA Area in December 2018, Ithaca now holds all interests (100%) in the GSA Area licenses, except the Vorlich asset. A joint operating agreement was signed for this asset, as is common in the industry, and the agreement regulates the exploration, development, and production activity between the asset partners. For information on the standard provisions of the joint operating agreement, see Section 1.8.4(c)(7)a above.

B. Furthermore, the Vorlich field is subject to a pre-development and pre-UUOA (hereinafter in this section - the “Agreement”), which applies to Ithaca and BP Exploration, the holders of the interests in the license. The Agreement stipulates, among other things, that the rate of Ithaca's interests and liabilities in the Vorlich license will be 34%.The provisions of the Agreement, inter alia, deal with the following matters: the duties and powers of the operator in the asset, the withdrawal of the operator and removal as operator; the powers, duties and composition of the joint operating committee, the direction and management of pre-development operations; work plans and budgets for pre-development activities; the interests of the parties to the Agreement and costs of pre-development activities; provisions relating to the engagement in a UUOA which will take effect after receiving approval of the development plan; sanctions imposed on the parties to the Agreement and the conditions for such imposition; provisions and conditions regarding transfer and reassignment of interests under the Agreement; and provisions regarding the exchange of information between the parties to the Agreement; and provisions regarding the correlation between the provisions of the Agreement and the provisions of other agreements signed by the partners.

(8) Resources and discounted cash flow data for the GSA Area

For details concerning the resources in the GSA Area assets and the discounted cash flow arising from them as at December 31, 2023, see Section 4 of the NSAI Report. The NSAI consent letter to include the NSAI report in this report, including by way of reference, is attached as **Appendix B** to this report.

(e) **Schiehallion Reservoir**

(1) General

Schiehallion reservoir is a producing reservoir located in the North Atlantic Ocean, approx. 175 kilometers west of the Shetland Islands, at a water depth of approx. 396 meters, and it mostly contains oil. The reservoir includes two licenses, as set out below. Ithaca holds approx. 11.754% of the interests in the reservoir. The partners to the reservoir have signed a joint operating agreement (JOA) and a Unitization and Unit Operating Agreement (UUOA), regulating the activity in the reservoir areas. Production and processing of the oil in the reservoir is carried out using the Glen Lyon FPSO (a vessel used for production, storage and loading of oil) (hereinafter - the “**Glen Lyon**”). From Glen Lyon, the crude is transferred to shuttle tankers used for maritime shipping of the crude, and from there directly to customers. The gas produced from the reservoir is transported through a pipeline.

(2) General details:

General details	
Name of oil asset:	**Schiehallion:** P.556 P.559
Location:	Northern Atlantic Ocean, approx. 170 km west of the Shetland Islands.
Type of oil asset and description of permitted operations according to the type:	**Exploration, development and production license for oil and gas resources issued by the UK government**
Original grant date of the oil asset:	Schiehallion: P.556 **–** Jun. 14, 1985 P.559 – 14/06/1985
Original expiry date of the oil asset:	Schiehallion: P.556 **– unknown** P.559 – 13/06/2021
Dates of decisions regarding extension of the term of the oil asset:	Schiehallion: P.556 **– unknown** P.559 – 30/04/2021
Current expiry date of the oil asset:	Schiehallion: P.556 – 13/06/2033 P.559 - **A producing asset and therefore no expiry date was set. The license may expire if production is discontinued for 12 consecutive months.**
Note whether there are additional options for extending the term of the oil asset; if such option exists - the term of the possible extension should be noted:	-
Name of the operator:	BP Exploration Operating Company Limited ("**BP Exploration**").[10]

10 To the best of the Company's knowledge, a privately-held company wholly-owned (100%), indirectly, by BP Plc, a publicly-traded company traded on the London Stock Exchange, NYSE and Frankfurt Stock Exchange, without a control core.

General details	
Names of the direct partners in the oil asset and their direct share in the oil asset and, to the best of the Company's knowledge, the names of the controlling shareholders in the partners:	Schiehallion: P.556, P.559 - BP Exploration – 33% Shell U.K. Limited[11] – 45% Ithaca Group – approx. 11.754% Harbour Energy[12] – 10%

General details	
Acquisition date:	The interests in the asset were acquired by Ithaca in the SiccarPoint transaction. The interests became effective on January 1, 2022.
Description of the Company's holding in the oil asset:	Through the Company's holdings (indirect) in Ithaca shares.
Effective share of oil asset revenues attributable to equity holders of the Company:	Schiehallion: P. 556, P.559 – approx. 10.40%
Total share of equity holders of the Company in the cumulative investment in the oil asset in the five years preceding the last day of 2023 (whether recognized as an expense or as an asset in the financial statements):	Approx. USD 53 million

(3) Pre-holding operations and additional information about the oil asset:

The Schiehallion Reservoir was discovered in 1993 by a third party. The reservoir has been producing since 1998. In 2012 production, was suspended and a new development plan was applied, under which 17 additional wells were drilled and the reservoir facilities were renovated. In 2017, once the Glen Lyon FPSO began operating, production from the reservoir was resumed.

(4) Compliance with work plans:

To the best of the Company's knowledge, at Reporting Date, the binding work schedules for the foregoing asset have been fully implemented.

---

[11] To the best of the Company's knowledge, a privately-held company wholly-owned (100%), indirectly, by the global Shell group.

[12] To the best of the Company's knowledge, a wholly-owned (100%) privately-held company of Harbour Energy Plc, a publicly-traded company listed on the London Stock Exchange as a result of the completion of a merger between Chrysaor Holdings Limited and Premier Oil.

(5) Actual and planned work schedule:

Below is a summary description of the main actions actually carried out in the asset as from January 1, 2021, as well as planned actions:

Period	Summary description of actions carried out during the period and the planned work schedule	Estimated total budget for operations according to oil asset (in USD million)	Actual participation of the Company's equity holders in the budget (in USD million)
2021	• Schiehallion Field - maintenance of facilities	Approx. 6	Approx. 1
2022	• Schiehallion Field - supplementary drillings	Approx. 58	Approx. 6
2023	• Schiehallion Field - supplementary drillings, maintenance and upgrade of Glen Lyon	Approx. 204	Approx. 21
2024	• Schiehallion Field - supplementary drillings, maintenance and upgrade of Glen Lyon	Approx. 324	Approx. 34
2025 onwards:	• Schiehallion Field - supplementary drillings, maintenance and upgrade of Glen Lyon	Approx. 1,335	Approx. 139

Forward-looking information - the information concerning the planned operations in the oil and gas and oil fields, including with regard to costs, time schedules and actual execution, is forward-looking information, as defined in the Israel Securities Law, and are based the assessments of Ithaca Group that depend, among other things, on third parties, climate conditions, economic conditions, regulatory changes, technical capacities, availability of equipment and other factors that are beyond the Company’s control. Consequently, implementation of the work schedule, including timetables and costs, may differ materially from the estimates described above.

(6) Actual participation in expenses and revenues of the oil asset:

The actual interests and participation rates in the expenses and revenues attributed to the Company’s equity holders in the asset are equivalent to the share that is effectively attributed to the Company’s equity holders in this asset, as set forth in the tables in Section (2) above (under General Details), as no royalties are paid on the asset to the UK government or to third parties, and no other payments derived from the revenues or expenses under income and expenses.

(7) Description of material agreements between the partners in the oil asset:

Exploration, development and production activities for the Schiehallion reservoir are carried out under a unitization and unit operating agreement (UUOA) and a joint operating agreement (JOA) signed between the partners with respect to the oil asset.

Below are details about the topics and material provisions of the agreements:

Passmark and Unanimity

The general passmark of the JOA is 60%, with at least two partners in agreement. Unanimity is explicitly required under the agreement for several actions, the main ones being: (1) a decision to terminate the operator’s service (requires unanimity, except for the operator); (2) a decision to abandon the license, or to waive certain sections thereof; (3) approval of disclosure of information by one of the partners under certain terms and conditions set forth in the agreement. The UUOA further stipulates that a decision to amend the development plan or its budget, and the use of the facilities by third parties, require unanimity by all parties to the agreement.

Preemptive rights - Change of control of Target

No consent by a party to the agreement is required for the transfer of partner interests in third parties or for a change of control.

Decommissioning

The agreement includes provision regarding the decommissioning approval method (unanimous decision) as well as provisions regarding decommissioning works to be carried out by the Operator.

Sole Risk Operations

Sole risk drilling and sole risk development are permitted under the terms and conditions of the agreement.

(8) Resources and discounted cash flow data for the Schiehallion Reservoir

For details concerning the resources in the Schiehallion Reservoir and the discounted cash flow arising from them as at December 31, 2023, see Section 5 of the NSAI Report. The NSAI consent letter to include the NSAI report in this report, including by way of reference, is attached as **Appendix B** to this report.

(f) **The GBA Area assets**

(1) General

The GBA Area includes the Britannia, Brodgar, Callanish, Enochdhu, and Alder producing oil assets, and three oil assets, which as at the reporting date, are non-producing but are planned for connection to the GBA production platform: Leverett, Fotla, and Congress. Ithaca Group companies serve as the operator in the Alder, Fotla, and Congress oil assets; NEO Energy Petroleum Limited serves as the operator in the Leverett oil asset; and the other licenses are operated by subsidiaries of Harbour Energy plc. The Britannia platform production facility serves as a central infrastructure for all the fields in the GBA Area, such that the gas and condensate produced from the GBA Area fields are processed on the Britannia platform, which is wholly owned by the Britannia reservoir partners, and from there the gas and condensate are delivered separately to the St Fergus terminal: the gas – through the Sage pipeline and the condensate – through the Forties Pipeline. Production from several reservoirs using one central infrastructure contributes to lowering the costs involved in development and production of oil and natural gas from the close-by fields, over many years. Below are details regarding the GBA Area assets and Ithaca's interests therein:

A. Britannia Oil Asset is located in the northern part of the North Sea, approx. 225 km northeast of Aberdeen in Scotland, at water depth of approx. 146 m, with a reservoir that covers an area of approx. 250 sq. km, and it contains natural gas and condensate. The oil asset includes five licenses that are held at various rates by Ithaca Group, as set out below. The partners in these licenses signed a UUOA regulating the operations in the licenses. As of the report date, Britannia has 35 producing wells in the reservoir.

B. Brodgar Oil Asset is located in the northern part of the North Sea, approx. 41 km southwest of the Britannia field and approx. 185 km northeast of Aberdeen in Scotland, at water depth of approx. 137 m, with a reservoir that covers an area of approx. 65 sq. km, containing natural gas and condensate, and it includes three licenses as set out below. The partners in these licenses signed a UUOA regulating the operations in the licenses. The Brodgar reservoir has two producing wells connected to a bridging platform, which is connected to the Britannia platform by a pipeline.

C. Callanish Oil Asset is located in the northern part of the North Sea, approx. 14 km southwest of the Britannia field and approx. 160 km northeast of Aberdeen in Scotland, at water depth of approx. 149 m, with a reservoir that covers an area of approx. 19 sq. km, and it contains oil. The oil asset includes two licenses that are held at various rates by Ithaca Group, as set out below. The partners in these licenses signed a UUOA regulating the operations in the licenses. The Callanish reservoir has four producing wells connected to a bridging platform, which is connected to the Britannia platform by a pipeline.

D. Enochdhu Oil Asset is located in the northern part of the North Sea, approx. 18 km southwest of the Britannia field and approx. 160 km northeast of Aberdeen in Scotland, at water depth of approx. 140 m, with a reservoir that covers an area of approx. 6.25 sq. km, containing oil, and it includes one license as set out below. The reservoir has one producing well that is connected to the Callanish field treatment platform through a subsea pipeline of approx. 8 km.

E. The Alder oil asset is located in the northern part of the North Sea, approx. 27 km west of the Britannia field and approx. 199 km northeast of Aberdeen in Scotland, at water depth of approx. 152 m, with of a reservoir that covers an area of approx. 23 sq. km, containing natural gas and condensate, and it includes one license as set out below. The reservoir has one producing well that is connected to the Britannia platform through a pipeline.

F. The Leverett oil asset is located in the northern part of the North Sea, approx. 40 km southwest of the Britannia reservoir and approx. 185 km northeast of Aberdeen, Scotland, and it contains mostly oil and natural gas. The reservoir includes two licenses in two blocks, for which a UUOA was signed, following which Ithaca holds 12% of the interests in the reservoir. Neo Energy serves as the operator of the reservoir. In the second half of the reporting year, evaluation drilling was performed in the reservoir, and as at the reporting date, the data is still being evaluated to determine how the reservoir will be developed, and the reservoir partners estimate that production will begin in 2026/2027.

G. The Fotla Oil Asset is located in the center of the North Sea, approx. 10 km southwest of the Alba reservoir, at a water depth of approx. 131 m, and it mostly contains natural gas. The reservoir includes one license. In September 2021, after the completion of an exploration drilling in the area of the P.2373 license (hereinafter - the “Fotla Drilling”), Ithaca announced the discovery of oil and natural gas in the Fotla Well. For further details, see the Company’s immediate reports of September 30, 2021 and November 30, 2021 (Ref. Nos.: 2021-01-081658 and 2021-01-174063, respectively), the details of which is included herein by way of reference. As at the reporting date, the development plan is under review by the partners in the oil asset. In November 2023, a transaction was completed for Ithaca’s acquisition of the entire interests of the seller - approx. 40%, in the reservoir, such that subsequent to completion of the transaction, Ithaca holds the entire interests in the asset (100%) (hereinafter - the "**Spirit Transaction**"). For further details about the Spirit Transaction, see the Company’s immediate report dated July 12, 2023 (Ref. No. 2023-01-078972) and November 11, 2023 (Ref. No.: 2023-01-120687), the details of which are included herein by way of reference.

H. The Congress Oil Asset is located in the center of the North Sea, approx. 225 km northeast of Aberdeen in Scotland, at water depth of approx. 134 m, and it contains oil and natural gas. Ithaca acquired interests in Area A of the license under the Spirit Transaction, and it serves as the operator in the oil asset.As at the reporting date, the Partnership is completing the scheduled plans to develop the oil asset.

(2) General details:

General details	
Name of oil asset:	**The GBA Area assets – an eight-asset cluster:** Britannia Brodgar Callanish Enochdhu Alder Leverett Fotla Congress
Location:	The oil assets are located in central North Sea on the UK Continental Shelf.
Type of oil asset and description of permitted operations according to the type:	Exploration, development and production licenses for oil and gas resources issued by the UK government
Original grant date of the oil asset:	Britannia: P.103 - Jun. 9, 1970 P.119 - Jun. 9, 1970 P.213 - Mar. 16, 1972 P.345 - Dec. 17, 1980 P.225 – unknown

General details	
	Brodgar: P.118 - Jun. 9, 1970 P.741 – unknown P.2350 – unknown Callanish: P.347 - Dec. 17, 1980 P.590 - Jun. 4, 1987 Enochdhu: P.103 - Jun. 9, 1970 Alder: P.119 - Jun. 9, 1970 Leverett: P.118 – Jun. 9, 1970 P.2350 – unknown Fotla: P.2373 - Block 22/1b - Sep. 20, 2018 Congress: P.345 Area A – Dec. 17, 1980
Original expiry date of the oil asset:	Britannia: P.103 - Jun. 8, 1976 P.119 - Jun. 8, 1976 P.213 - Mar. 15, 1978 P.345 - Dec. 16, 1986 P.225 – unknown Brodgar: P.118 - Jun. 8, 1976 P.741 – unknown P.2350 – unknown Callanish: P.347 - Dec. 16, 1986 P.590 - Jun. 3, 1993 Enochdhu: P.103 - Jun. 8, 1976 Alder: P.119 - Jun. 8, 1976 Leverett: P.118 – Sep. 8, 1976 P.2350 – unknown Fotla: P.2373 - Block 22/1b - Sep. 20, 2022 Congress: P.345 Area A – Dec. 16, 1986

General details	
Dates of decisions regarding extension of the term of the oil asset:	<u>Britannia</u>: P.103 - Jun. 6, 2016 P.119 - Jun. 6, 2016 P.213 - Mar. 12, 2016 P.345 - Nov. 14, 2016 P.225 – unknown <u>Brodgar:</u> P.118 - Jun. 6, 2016 P.741 – unknown P.2350 – unknown <u>Callanish</u>: P.347 - Nov. 14, 2016 P.590 – unknown Enochdhu: P.103 - Jun. 6, 2016 <u>Alder</u>: P.119 - Jun. 6, 2016 <u>Leverett:</u> P.118 – Jun. 6, 2016 P.2350 – unknown <u>Fotla:</u> P.2373 - Block 22/1b - unknown <u>Congress:</u> P.345 Area A – unknown
Current expiry date of the oil asset:	<u>Britannia</u> All licenses: A producing oil asset with no expiry date. The licenses may expire should production be discontinued for 12 consecutive months. <u>Brodgar</u> P.118 - A producing oil asset with no expiry date. The license may expire if production is discontinued for 12 consecutive months. P.741 – Jun. 13, 2027 P.2350 – Sep. 30, 2024 (end of the first term of the lease) <u>Callanish</u>: P.590, P.347 - a producing oil asset and no expiry date was set. The license may expire if production is discontinued for 12 consecutive months. <u>Enochdhu (P.103)</u>:

General details	
	An producing oil asset and no expiry date was set. The license may expire if production is discontinued for 24 consecutive months. Alder: P.119- a producing oil asset and no expiry date was set. The license may expire if production is discontinued for 12 consecutive months. Leverett**:** P.118 – unknown. - P.2350 - Sep. 30, 2024 Fotla: P.2373 - Block 22/1b - Sep. 30, 2026 (end of the second term of the lease) Congress: P.345 Area A - The license may expire if production is discontinued for 12 consecutive months.
Note whether there are additional options for extending the term of the oil asset; if such option exists - the term of the possible extension should be noted:	Brodgar P.2350 – Sep. 30, 2028 (end of the second term of the lease), Sep. 30, 2045 (license expiry) Leverett: P.2350 – Sep. 30, 2028 (end of the second term of the lease) Sep. 30, 2045 (license expiry) Fotla: P.2373 - the term of the license can be extended through to Sep. 30, 2044.
Name of the operator:	• Ithaca Energy UK Limited serves as the operator in Fotla, Congress, and Alder. • NEO Energy Petroleum Limited serves as the operator in Leverett. • Harbour Energy plc serves as an operator of Britannia Brodgar, Callanishı- Enochdhu
Names of the direct partners in the oil asset and their direct share in the oil asset and, to the best of the Company's knowledge, the names of the controlling shareholders in the partners:	**Britannia**: Ithaca holds licenses to interests at a variable rate ranging from 33.03% to 75.0%. The partners in the licenses signed a UUOA under which the interests of the partners in the Britannia field were established, as follows: Harbour Energy - 58.65% Ithaca Group - 32.38% Neo Energy - 8.97%

General details	
	Brodgar: Prior to production of 10 MMboe from supplementary well H4: Harbour Energy - 93.75% Ithaca Group - 6.25% Since beginning of production from supplementary well H4 and until production of 10 MMboe from supplementary well H4:[13] Harbour Energy - 87.5% Ithaca Group - 12.5% Subsequent to production of 10 MMboe from supplementary well H4: Harbour Energy - 93.75% Ithaca Group - 6.25% **Callanish**: Harbour Energy - 83.5% Ithaca Group - 16.5% **Enochdhu:** Harbour Energy - 50% Ithaca Group - 50% **Alder**: Ithaca Group - 73.68% •Harbour Energy plc - 26.316% **Leverett**: **Following the UUOA:** P.118**:** P.2350: Ithaca Gas Limited - 12% Neo – 44% Chrysaor Production (UK) Limited – 44% **Fotla**: P.2373: Ithaca Group – 100% **Congress:** P.345 Area A: Ithaca Oil and Gas Limited – 61.75% Chrysaor Production (UK) Limited[14] - 22% Chrysaor (UK) Theta Limited[15] - 10% Chrysaor Petroleum Company U.K. Limited[16] - 6.25%

[13] It should be noted that the change in the rate of interests is also contingent on the fact that the Ithaca Group will give full authorization for expenditure (AFE) with respect to the supplementary well. As at Reporting Date, production has not yet commenced from supplementary well (H4).

[14] See footnote 2 above.

[15] See footnote 2 above.

[16] See footnote 2 above.

General information about the Company's share in the oil assets	
Acquisition date:	The interests in all these assets, other than Congress, were acquired under the Chevron Transaction, which was signed on May 29, 2019, which came into effect on January 1, 2019 40% of the interests in Fotla, and the interests in Congress were acquired under the Spirit Transaction, which was signed on July 11, 2023 and came into effect on January 1, 2023.
Description of the Company's holding in the oil asset:	Through the Company's holdings (indirect) in Ithaca shares.
Effective share of oil asset revenues attributable to equity holders of the Company:	Britannia - 28.67% Brodgar - Prior to production of 10 MMboe from supplementary well H4, as aforesaid: 5.53% Since beginning of production from supplementary well H4 and until production of 10 MMboe, as aforesaid: 11.06% Subsequent to production of 10 MMboe from supplementary well H4, as aforesaid: 5.53% Callanish - 14.61% Enochdhu - 44.27% Alder - 65.24% <u>Leverett:</u> <u>Following the UUOA:</u> P.118 – -10.63% P.2350 – -10.63% <u>Fotla:</u> P.2373 – 88.55% <u>Congress:</u> P.345 Area A – 54.67%
Total share of equity holders of the Company in the cumulative investment in the oil asset in the five years preceding the last day of 2023 (whether recognized as an expense or as an asset in the financial statements):	Britannia Reservoir - approx. USD 15 million Brodgar Reservoir - Approx USD 2 million Callanish Reservoir - approx. USD 16 million Alder Reservoir – approx. USD 0.6 million Leverett Reservoir - approx. USD 10 million Fotla Reservoir - approx. USD 33 million

(3) <u>Pre-holding operations and additional information:</u>

A. <u>Britannia Reservoir</u> was discovered in 1975 by a third party. Development of the reservoir began in 1994, in 1997 a treatment and production platform was constructed in the reservoir, which is owned by all the partners in the reservoir, and production from the reservoir began in 1998.

B. <u>Brodgar Reservoir</u> was discovered in 1985 by a third party. In 2004, the development of the reservoir began, in 2006 - a production and treatment platform, owned by the partners in the asset was set up in the reservoir, which is tied in to the Britannia reservoir via a bridge, and in 2008, production from the reservoir began.

C. <u>Callanish Reservoir</u> was discovered in 1999 by a third party. In 2004, the development of the reservoir began, in 2006 - a production and processing platform, that is owned by the partners in the asset was set up in the reservoir, which is tied in to the Britannia platform via a bridge, and in 2008, production from the reservoir began.

D. <u>Enochdhu Reservoir</u> was discovered in 2005. Development of the reservoir began in 2013, and production from the reservoir began in 2015. In 2006, a production and processing platform, owned by the partners in the asset, was set up in the reservoir, which is tied in to the Britannia reservoir via a bridge.

E. Alder Reservoir was discovered in 1975 by a third party. Development of the reservoir began in 2014, and production began in 2016. It should be noted that Alder Reservoir was developed by drilling of a subsea well that is tied-in via a pipeline to the Britannia Field platform.

(4) Compliance with work plans:

To the best of the Company's knowledge, at Reporting Date, the binding work schedules for the foregoing assets have been fully implemented.

(5) Actual and planned work schedule:

Below is a summary description of the main actions actually carried out in the GBA project as from January 1, 2021, as well as planned actions:

Period	Summary of operations implemented in the period and the planned work schedule	Estimated total budget for operations according to oil asset (in USD million)	Actual participation of the Company's equity holders in the budget (in USD million)
2021	• Britannia Reservoir - engineering works • Callanish Reservoir - F5 drilling actions	Approx. 20	Approx. 5
2022	• Maintenance of facilities and LTC	Approx. 35	Approx. 5
2023	• Britannia Reservoir - Maintenance of facilities and LTC • Brodgar Reservoir - start of procurement for 5H drilling • Leverett Field - appraisal drilling • Fotla Field - Studying data • Congress Field - study of data	Approx. 141	Approx. 20
2024	• Britannia Reservoir - Maintenance of facilities and LTC • Brodgar Reservoir - further procurement for H5 drilling • Leverett Field - study of data • Callanish Reservoir - F6 drilling actions • Fotla Field - study of data and equipment procurement	Approx. 197	Approx. 67
2025 onwards:	• Britannia Reservoir - Maintenance of facilities and LTC • Brodgar Reservoir - completion of the H5 drilling • Leverett field - engineering design, equipment procurement and installation of facilities • Fotla field - engineering design, equipment procurement and installation of facilities	Approx. 1,038	Approx. 554

Forward-looking information - the information concerning the planned operations in the oil and gas and oil fields, including with regard to costs, time schedules and actual execution, is forward-looking information, as defined in the Israel Securities Law, and are based the assessments of Ithaca Group that depend, among other things, on third parties, climate conditions, economic conditions, regulatory changes, technical capacities, availability of equipment and other factors that are beyond the Company's control. Consequently, implementation of the work schedule, including timetables and costs, may differ materially from the estimates described above.

(6) Actual participation in expenses and revenues:

The actual rate of interests and participation attributed to the equity holders of the Company are equivalent to Ithaca's interests in the GBA Area assets, as specified in Section (2) above (under General Details), as no royalties are paid with regard to the assets to the UK government or third parties, and no other derivative royalties whatsoever are paid from the income and expenses.

(7) Description of material agreements between the partners in the oil assets:

The exploration, development and production operations in the assets described above are carried out under a JOA that was signed by the partners for each asset, and in the Britannia, Callanish, and Leverett assets operations are carried out under a unit agreement (UUOA or UJDOA, which are essentially similar). It is noted that the UUOA also includes the criteria set under the JOA.

For details concerning the issues and material provisions included in the UUOAs and JOAs, see Section 1.8.4(c)(7) above.

In the majority of the JOAs applicable for the assets in this cluster, the right of a partner in the asset to transfer its interests in a third party will be subject to the first refusal rights of the other partners in the asset.

Each of the JOAs and UUOAs provides for a different majority for decisions by the partners. In view of the rate of Ithaca Group's interests in the GBA project assets, based on mechanisms set out in the JOAs and UUOAs the decisions in these assets are not made by Ithaca alone.

(8) Contingent reserves and resources in the GBA Area assets

For details concerning reserves and contingent resources in the GBA Area assets and discounted cash flows deriving from them as at December 31, 2023, see Section 6 of the NSAI Report. As at the report approval date, there has been no change to this information. The NSAI consent letter to include the NSAI report in this report, including by way of reference, is attached as **Appendix B** to this report.

(g) **MonArb area assets**

(1) General

The MonArb Area includes producing oil assets Montrose, Arbroath, Arkwright, Brechin, Cayley, Godwin, Shaw, and Wood producing assets, and the negligible Carnoustie oil asset, which are held at the same rate of approx. 41.026% by Ithaca Group, in which Repsol Sinopec Resources UK serves as the operator, and the K2 oil asset exploration license, in which Ithaca holds 50% of the interests and serves as the operator. A joint operating agreement (JOA) was signed by the partners to the licenses, regulating the activity in the license areas. Production from the producing oil assets in MonArb Area is carried out through the Montrose Alpha platform (hereinafter - "Montrose Alpha"), which is a stationary processing and production facility. In some of the fields, natural gas is separated from oil through another separating facility on the Arbroath platform, from which the hydrocarbons are transported through a 10-inch pipeline used to transport oil and fluids and another 16-inch pipeline used to transport natural gas to Montrose Alpha, and from there through the transmission infrastructure to the UK market: oil – via the Forties Pipeline to the Cruden Bay receiving terminal north of Aberdeen, and gas via the central North Sea Central Area Transmission System (CATS) gas transmission pipeline to the Teesside receiving terminal and the CATS production terminal on the Scottish coastline. Below are details regarding the MonArb Area assets and Ithaca's interests therein:

A. Montrose reservoir is located in the center of the North Sea, approx. 200 km east of Aberdeen in Scotland, at a water depth of approx. 88 m, and it contains oil and natural gas. Production began in June 1976.As of the report date, the asset has one active producing well.

B. Arbroath Reservoir is located in the center of the North Sea, approx. 8 km southwest of the Montrose field, at a water depth of approx. 93 m, and it contains oil and natural gas. Production began in April 1990.As of the report date, the asset has five active producing wells.

C. Arkwright reservoir is located in the center of the North Sea, approx. 217 km east of Aberdeen in Scotland, at a water depth of approx. 94 m, and it contains oil and natural gas. Production began in November 1996.As of the report date, the asset has one active producing well.

D. Brechin reservoir is located in the center of the North Sea, approx. 221 km east of Aberdeen in Scotland, at water depth of approx. 93 m, and it contains oil and natural gas. Production began in June 2005.As of the report date, the asset has one active producing well.

E. Cayley reservoir is located in the center of the North Sea, approx. 10 km west of Montrose Alpha, at water depth of 91 m, and it contains oil and natural gas. Production began in June 2017.As of the report date, the asset has one active producing well.

F. The Godwin Reservoir is located in the center of the North Sea, 206 km east of Aberdeen in Scotland, at water depth of approx. 88 m, and it contains oil and natural gas. Production began in July 2015.As of the report date, the asset has one active producing well.

G. Shaw reservoir is located in the center of the North Sea, approx. 17 km south of Montrose Alpha, at water depth of approx. 95 m, and it contains oil and natural gas. Production began in May 2017. As of the report date, the asset has two active producing wells.

H. Wood reservoir is located in the center of the North Sea, approx. 215 km east of Aberdeen in Scotland, at water depth of 90 m, and it contains oil and natural gas. Production began in December 2007.As of the report date, the asset has one active producing well.

I. K2 oil asset is in the center of the North Sea, approx. 235 km east of Aberdeen, Scotland, at a 90-meter water depth. Ithaca holds 50% of the interests in the asset and serves as its operator. In the reporting year, exploration drilling was completed in the asset, significant indications of petroleum were discovered, and verification drilling was performed, during which there were operational difficulties due to severe weather conditions, which resulted in suspension of the verification drilling. For further details see the immediate reports dated January 3, 2023 (Ref. No: 2023-01-001564) and July 30, 2023 (Ref. No.: 2023-01-070858), the details of which are included herein by way of reference.As at the reporting date, the partners are assessing the commercial potential for the development of the asset. If the oil asset is developed, the oil asset may be connected to the Montrose Alpha platform.

(2) General details:

General details	
Name of oil asset:	**MonArb Area assets - a ten asset cluster:** Montrose Arbroath Arkwright Brechin Cayley Godwin Shaw Wood Carnoustie K2
Location:	The oil assets are located in the North Sea on the UK Continental Shelf.
Type of oil asset and description of permitted operations according to the type:	Exploration, development and production licenses for oil and gas resources issued by the UK government
Original grant date of the oil asset:	Montrose: P.19 (Block 22/17n) – Sep. 17, 1964 P.20 (Block 22/18n) - Sep. 17, 1964 Arbroath: P.19 (Block 22/17n) – Sep. 17, 1964 P.291 (Block 22/17s) - May 4, 1978 P.292 (Block 22/18a; Block 22/22a) - May 4, 1978 Arkwright: P.291 (Block 22/23a) – May 4, 1978 Brechin: P.291 (Block 22/23a) – May 4, 1978 Cayley: P.291 (Block 22/17s) – May 4, 1978

General details	
	Godwin: P.291 (Block 22/17s) – Sep. 17, 1964 P.19 (Block 22/17n) – Sep. 17, 1964 Shaw: P.291 (Block 22/22a) – May 4, 1978 Wood: P.292 (Block 22/18a) – May 4, 1978 Carnoustie: P.019 (Block 22/17) - May 4, 1978 K2: P.2382 – Oct. 1, 2018
Original expiry date of the oil asset:	Montrose: P.19 (Block 22/17n) – Sep. 17, 1970 P.20 (Block 22/18n) - Sep. 17, 1970 Arbroath: P.19 (Block 22/17n) – Sep. 17, 1970 P.291 (Block 22/17s) – unknown P.292 (Block 22/18a; Block 22/22a) – unknown Arkwright: P.291 (Block 22/23a) – unknown Brechin: P.291 (Block 22/23a) – unknown Cayley: P.291 (Block 22/17s) – unknown Godwin: P.291 (Block 22/17s) – unknown P.19 (Block 22/17n) – Sep. 17, 1970 Shaw: P.291 (Block 22/22a) – unknown Wood: P.292 (Block 22/18a) – unknown Carnoustie: P.019 (Block 22/17) – unknown K2: P.2382 – Oct. 1, 2020
Dates of decisions regarding extension of the term of the oil asset:	Unknown
Current expiry date of the oil asset:	All licenses other than K2: Producing oil assets with no expiry date. The licenses may expire should production be discontinued for 24 consecutive months. K2: P.2382 – Mar. 31, 2028
Note whether there are additional options for extending the term of the oil asset; if such option exists - the term of the possible extension should be noted:	K2: P.2382 – Sep. 30, 2044
Name of the operator:	Repsol Sinopec Resources UK Limited serves as an operator in all licenses, except for K2 Ithaca Zetta Limited serves as the operator in the K2 oil asset.
Names of the direct partners in the oil asset and their direct share in the oil asset and, to the best of the Company's knowledge, the names	The MonArb licenses, excluding the K2 license:

General details	
of the controlling shareholders in the partners:	Repsol Sinopec Resources UK Limited[17] - 58.97436% Ithaca Group - 41.02564% <u>K2:</u> Dana Petroleum Ltd[18] - 50% Ithaca through Ithaca Zetta Limited -50%

General information about the Company's share in the oil assets	
Acquisition date:	The interests in the MonArb Area assets, other than K2, were acquired by Ithaca in the Marubeni transaction, which was completed in February 2022 and came into effect on January 1, 2021.The interests in the K2 asset were acquired by Ithaca in the Summit Transaction, which came into effect on January 1, 2021.
Description of the Company's holding in the oil asset:	Through the Company's holdings (indirect) in Ithaca shares.
Effective share of oil asset revenues attributable to equity holders of the Company:	<u>MonArb (excluding K2)</u>: – 36.32% <u>K2</u>:- P.2382 – 44.27%
Total share of equity holders of the Company in the cumulative investment in the oil asset in the five years preceding the last day of 2023 (whether recognized as an expense or as an asset in the financial statements):	Montrose Asset - approx. USD 17 million Arbroath Asset - approx. USD 8 million Cayley Asset - approx. USD 0.8 million Shaw Asset - approx. USD 34 million Wood Asset - approx. USD 3 million K2 Asset - approx. USD 34 million

(3) <u>Pre-holding operations and additional information:</u>

A. <u>Montrose Reservoir</u> was discovered in 1971 by a third party. Production began in June 1976. To date, 25 producing wells and 5 fluid injection wells have been drilled in the reservoir where, as at the reporting date, there is one active producing well. The Montrose Alpha platform serves all the reservoirs in the MonArb area, which are connected to it directly or via their connection to the Arbroath platform.

B. <u>Arbroath Reservoir</u> was discovered in 1969 by a third party. Production began in April 1990. To date, 26 producing wells and 9 fluid injection wells have been drilled in the reservoir where, as at the reporting date, there are five active producing wells. The production platform in the reservoir serves other reservoirs in the MonArb area, as described below, and it connects it to the Montrose Alpha platform.

C. <u>Arkwright Reservoir</u> was discovered in 1996 by a third party. Wells in the reservoir are connected to the separation facility on the Arbroath platform.

D. <u>Brechin Reservoir</u> was discovered in 2004 by a third party. Production began in June 2005, with the connection of the producing well to the separation facility on the Arbroath platform.

E. <u>Cayley Reservoir</u> was discovered in 2007 by a third party. Production began in June 2017, with the connection of the producing wells to the Montrose Alpha platform.

F. <u>Godwin Reservoir</u> was discovered in 2009 by a third party. Production began in July 2015 with the connection of the producing well to the separation facility on the Arbroath platform.

G. <u>Shaw Reservoir</u> was discovered in 2009 by a third party. Production began in May 2017, with the connection of the producing wells to the Montrose Alpha platform.

---

[17] To the best of the Company's knowledge, a privately-held company jointly owned (indirectly) by Repsol SA (51%) and Addax Petroleum UK Limited.

[18] To the best of the Company's knowledge, a wholly-owned privately-held company (100%) of Korea National Oil Corporation, which is controlled by the Government of South Korea.

H. Wood Reservoir was discovered in 1996 by a third party. Production began in December 2007, with the connection of the producing well to the Montrose Alpha platform.

(4) K2 oil asset:

In 2017, a 3D seismic survey was conducted by Petroleum Geo-Services (PGS), which was reprocessed in 2020 and calibrated to the data of the adjacent oil and gas fields and drillings.

(5) Compliance with work plans:

To the best of the Company's knowledge, at Reporting Date, the binding work schedules for the foregoing assets have been fully implemented.

(6) Actual and planned work schedule:

Below is a summary description of the main actions actually carried out in the assets as from January 1, 2021, as well as planned actions:

Period	Summary of operations implemented in the period and the planned work schedule	Estimated total budget for operations according to oil asset (in USD million)	Actual participation of the Company's equity holders in the budget (in USD million)
2021	• Montrose Field - ongoing maintenance of the production facility. • Arbroath Field - ongoing maintenance of the production facility. • Wood Field - ongoing maintenance of the production facility	Approx. 13	Approx. 5
2022	• Montrose Field - ongoing maintenance of the production facility. • Arbroath Field - ongoing maintenance of the production facility. • Shaw Field - ongoing maintenance of the production facility.	Approx. 25	Approx. 9
2023	• Montrose Field - ongoing maintenance of the production facility. • Arbroath Field - ongoing maintenance of the production facility. • Shaw Field - drilling of production well number 3 • K2 oil asset - performing an exploration drill.	Approx. 132	Approx. 54
2024	• Montrose Field - ongoing maintenance of the production facility. • Arbroath Field - ongoing maintenance of the production facility. • Cayley North field - planning and start of drilling • K2 oil asset - Studying data	Approx. 75	Approx. 27
2025 onwards:	• Montrose Field - ongoing maintenance of the production facility, upgrade of facilities and drilling of a supplementary well. • Arbroath Field - ongoing maintenance of the production facility. • Cayley North field - completion of drilling • K2 oil asset - engineering design and procurement, equipment installation and development of the asset	Approx. 898	Approx. 350

Forward-looking information - the information concerning the planned operations in the oil and gas fields, including with regard to costs, time schedules and actual execution, is forward-looking information, as defined in the Israel Securities Law, and are based the assessments of Ithaca Group that depend, among other things, on third parties, climate conditions, economic conditions, regulatory changes, technical capacities, availability of equipment and other factors that are beyond the Company's control. Consequently, implementation of the work schedule, including timetables and costs, may differ materially from the estimates described above.

(7) Actual participation in expenses and revenues of the MonArb area assets:

The actual rate of interests and participation attributed to the equity holders of the Company are equivalent to Ithaca's interests in the MonArb Area assets, as specified in Section (2) above (under General Details), as no royalties are paid with regard to the assets to the UK government or third parties, and no other derivative royalties whatsoever are paid from the income and expenses.

(8) Description of material agreements between the partners in the oil assets:

Exploration, development and production activities under the MonArb area assets are carried out under a joint operating agreement (JOA) signed between the partners with respect to the oil assets. Below are details about the topics and material provisions of the JOA:

Passmark and Unanimity

The general passmark of the JOA is 90% with two parties required, which given the current beneficial interest of the parties and the fact that there are only two parties to the JOA, all decisions will technically be unanimous. The Agreement explicitly requires unanimity for decommissioning in the well which is producing or has once produced or is capable of producing; and determining any License or to surrender any part of the Contract Area.

Preemptive rights

The JOA contains preemptive provisions that apply to asset transfers to third parties. For a period of thirty (30) days after the receipt of a preemption notice from a Participant wishing to sell its interest in the Licenses, the other Participants shall have the prior and preferred right and option, (in the ratio of their respective Percentage Interests of those electing to purchase), to purchase the interest covered by the offer at the price and in accordance with the terms and conditions specified in the offer. The preemptive rights will not apply in respect of a corporate acquisition.

Sole Risk Operations

Sole risk drilling and sole risk development are permitted under the agreement.

Operatorship

Operator removal on 90 days' notice in the event of a material breach that remains un-remedied 28 days after notice of such breach. Operator removal immediately on the occurrence of: (i) any insolvency event, or (ii) where the Operator ceases to hold a Percentage Interest and none of the participants holding a percentage interest is an affiliate of the Operator.

Operator resignation at the end of any month on 270 days' notice or such shorter period as the Operating Committee may agree. Full indemnity arrangement to the operator from the participants other than in instances of willful misconduct or failure to obtain and maintain insurances.

(9) Contingent reserves and resources in the MonArb Area assets

For details concerning reserves and contingent resources in the MonArb Area assets and discounted cash flows deriving from them as at December 31, 2023, see Section 7 of the NSAI Report. As at the report approval date, there has been no change to this information. The NSAI consent letter to include the NSAI report in this report, including by way of reference, is attached as **Appendix B** to this report.

(h) **Mariner Area assets**

(1) General

The Mariner Area includes the producing oil asset Mariner, and two oil assets that, as of the date of the report, are non-producing - Cadet and Mariner East. The cluster is located in the northern North Sea, approx. 150 km east of the Shetland Islands, and includes several licenses, in which Ithaca Group has an identical stake of approx. 8.89%. Equinor UK Limited serves as at operator. A joint operating agreement (JOA) was signed by the partners to the licenses, regulating the activity in the license areas. Below are details regarding the Mariner Area assets and Ithaca's interests therein:

A. Mariner oil asset is located in the northern part of the North Sea, approx. 150 km east of the Shetland Islands, at water depth of approx. 100 m, and it mostly contains heavy oil. The oil asset includes three licenses held at the same rate of approx. 8.89% by the Ithaca Group as described below. The partners in these licenses signed a UUOA regulating the operations in the licenses. As at the reporting date, there are 12 producing wells and three active fluid injection wells in the Mariner field.

B. The Mariner East oil asset is located in the northern part of the North Sea, approx. 150 km east of the Shetland Islands, southwest of the Mariner field, and it contains contingent resources. The oil asset includes one license in which Ithaca holds approx. 8.89% of the interests.

C. The Cadet oil asset is located in the northern part of the North Sea, approx. 150 km east of the Shetland Islands, west of the Mariner field, and it contains contingent resources. The oil asset includes one license in which Ithaca holds approx. 8.89% of the interests.

(2) General details

General details	
Name of oil asset:	**Mariner Area assets - a three asset cluster:** Mariner Mariner East Cadet
Location:	Northern North Sea, approx. 150 km east of the Shetland Islands.
Type of oil asset and description of permitted operations according to the type:	Exploration, development and production license for oil and gas resources issued by the UK government.
Original grant date of the oil asset:	Mariner: P.335 – Dec. 17, 1980 P.979 – Dec. 23, 1998 P.2151 – Dec. 1, 2014 Mariner East: P.726 – Jun. 14, 1991 Cadet: P.1758 – Jan. 10, 2011
Original expiry date of the oil asset:	Mariner: P.335 – Dec. 17, 2016 P.979 – unknown P.2151 – unknown Mariner East: P.726 – unknown Cadet: P.1758 – unknown
Dates of decisions regarding extension of the term of the oil asset:	Mariner: P.335 – unknown P.979 – unknown P.2151 – unknown Mariner East: P.726 – unknown Cadet: P.1758 – unknown
Current expiry date of the oil asset:	Mariner P.335 - A producing asset and therefore no expiry date was set. The license may

General details	
	expire if production is discontinued for 12 consecutive months. P.979 - Dec. 22, 2034 P.2151 - Nov. 30, 2040 Mariner East: P.726 – Jun. 13, 2027 Cadet: P.1758 – Jan. 9, 2037
Note whether there are additional options for extending the term of the oil asset; if such option exists - the term of the possible extension should be noted:	-
Name of the operator:	Equinor UK Limited
Names of the direct partners in the oil asset and their direct share in the oil asset and, to the best of the Company's knowledge, the names of the controlling shareholders in the partners:	Mariner: P.335 P.979 P.2151 Mariner East: P.726 Cadet: P.1758 Equinor UK Limited – 65% Neo Energy Petroleum Limited – 20% Ithaca Group – approx. 8.889%כ- One-Days E&P Limited - 6%

General details	
Acquisition date:	The interests in the asset were acquired by Ithaca in the SiccarPoint transaction. The acquired interests became effective on January 1, 2022.
Description of the Company's holding in the oil asset:	Through the Company's holdings (indirect) in Ithaca shares.
Effective share of oil asset revenues attributable to equity holders of the Company:	Mariner: P.335 P.979 P.2151 Mariner East: P.726 Cadet: P.1758 7.87%
Total share of equity holders of the Company in the cumulative investment in the oil asset in the five years preceding the last day of 2023 (whether recognized as an expense or as an asset in the financial statements):	Mariner Asset - approx. USD 104 million

(3) Pre-holding operations and additional information about the oil asset:

A. The Mariner reservoir was discovered in 1981 by a third party. The reservoir has been producing since 2019.

(4) Compliance with work plans:

To the best of the Company's knowledge, at Reporting Date, the binding work schedules for the foregoing asset have been fully implemented.

(5) Actual and planned work schedule:

Below is a summary description of the main actions actually carried out in the asset as from January 1, 2021, as well as planned actions:

Period	Summary description of actions carried out during the period and the planned work schedule	Estimated total budget for operations according to oil asset (in USD million)	Actual participation of the Company's equity holders in the budget (in USD million)
2021	• Mariner field - further drilling and maintenance of facilities	Approx. 275	Approx. 22
2022	• Mariner field - further drilling and completion of wells	Approx. 190	Approx. 15
2023	• Mariner field - further drilling and maintenance of facilities	Approx. 199	Approx. 16
2024	• Mariner field - further drilling and maintenance of facilities	Approx. 227	Approx. 18
2025 onwards:	• Mariner field - further drilling and maintenance of facilities	Approx. 2,091	Approx. 165

Forward-looking information - the information concerning the planned operations in the oil and gas and oil fields, including with regard to costs, time schedules and actual execution, is forward-looking information, as defined in the Israel Securities Law, and are based the assessments of Ithaca Group that depend, among other things, on third parties, climate conditions, economic conditions, regulatory changes, technical capacities, availability of equipment and other factors that are beyond the Company's control. Consequently, implementation of the work schedule, including timetables and costs, may differ materially from the estimates described above.

(6) Actual participation in expenses and revenues of the oil asset:

The actual rate of interests and participation attributed to the equity holders of the Company are equivalent to Ithaca's interests in the assets, as specified in Section (2) above (under General Details), as no royalties are paid with regard to the asset to the UK government or third parties, and no other derivative royalties whatsoever are paid from the income and expenses.

(7) Description of material agreements between the partners in the oil asset:

Exploration, development, and production in the Mariner reservoir are carried out under an area operating agreement (AOA), the principles of which are similar to the joint operating agreement (JOA) signed between the partners with respect to the oil asset. Below are details of the material issues and provisions of the area operating agreement (AOA):

Passmark and Unanimity

The general passmark of the agreement is a majority of 65% of the holders of interests in the agreement. The agreement explicitly requires unanimity for several actions, mainly regarding the decision for decommissioning a producing well or a well that produced in the past or is capable of producing; and the surrender of any license or surrender of any part of the area under the agreement.

Preemptive rights

No consent by a party to the agreement is required for the transfer of partner interests in third parties or for a change of control.

Decommissioning

The agreement includes provision regarding the decommissioning approval method (unanimous decision) as well as provisions regarding decommissioning works to be carried out by the Operator.

Sole Risk Operations

Inspections, sole risk drilling and sole risk development are permitted under the agreement.

Operatorship

The agreement with the Operator may be terminated with 60 day prior notice in the event of a material breach that has not been corrected within 30 days after receipt of notification of such breach, or in the event that the Operator's share (including of an affiliate of the Operator) in the interests in the agreement fall below 20%. The agreement with the Operator may be terminated immediately upon the occurrence of: (i) an insolvency event; (ii) the Operator ceases to hold interests and none of the participants holding interests is an affiliate of the Operator; (iii) if the OGA withdraws its approval of the work plan; (iv) a malicious act (as defined in the agreement).

(8) Contingent reserves and resources in the Mariner Area assets

For details concerning reserves and contingent resources in the Mariner Area assets and discounted cash flows deriving from them as at December 31, 2023, see Section 8 of the NSAI Report. As at the report approval date, there has been no change to this information. The NSAI consent letter to include the NSAI report in this report, including by way of reference, is attached as **Appendix B** to this report.

(i) **Ithaca's Group of Other Non-Operated Assets group**

(1) General:

This cluster of assets includes four producing oil assets (Pierce, Jade, Elgin-Franklin, and Columba Terraces), in which Ithaca is a partner but does not serve as the operator. For information concerning the interests of Ithaca and the operators in these assets, see the following table. Below are details regarding the Ithaca's Group of Other Non-Operated Assets group and Ithaca's interests therein:

A. The Jade Oil Asset is in the center of the North Sea, approx. 270 km east of Aberdeen, Scotland, at a 79-meter water depth, and it mostly contains gas and condensate. The oil asset includes two licenses that are equally held by the partners in the licenses, as set out below, and Harbour Energy serves as the operator in the reservoir. As of the report date, there are nine active producing wells in the reservoir. The natural gas produced from the Jade reservoir is processed on a treatment and production platform (Judy) located approx. 17 km southwest of the reservoir connecting it to subsea infrastructure that includes two central transmission pipelines to the UK market: the Central Area Transmission System (CATS) and the Norpipe pipeline through which condensate is transmitted.

The Jade South field is located south of the Jade reservoir within the P.1589 license area in the tested geological structure in the Jade reservoir, and it contains one producing well from which production commenced in January 2022. Natural gas from Jade South is also processed and produced on the Judy platform.

B. Elgin-Franklin oil asset is located in the center of the North Sea area, approx. 240 km east of Aberdeen in Scotland, at water depth of approx. 100 m, and it mostly contains natural gas and condensate. The oil asset includes two fields, Elgin and Franklin, which have three licenses that are equally held by the partners in the licenses, as set out below. TotalEnergies serves as the reservoir operator. The partners in these licenses signed a UUOA regulating the joint operations and development in the licenses. As of the report date, the Elgin-Franklin reservoir has 14 producing wells.

The natural gas and condensate from the Elgin-Franklin reservoir is processed on the reservoir's production and processing platform and from there the gas is transmitted via a dedicated pipeline system (Shearwater Elgin Area Line) to the onshore reception facility located at Bacton. The condensate is transmitted via the Forties Pipeline.

C. The Pierce Oil Asset is in the center of the North Sea, approx. 240 km east of Aberdeen, Scotland, at a 85-meter water depth, and it mostly contains oil. The oil asset includes two licenses that are held equally by the partners in the licenses, as set out below, and Shell UK serves as the operator in the reservoir. As of the report date, there are eight active producing wells in the reservoir.The wells are connected by a subsea pipeline to Haewene Brim FPSO, from which the crude is transmitted to shuttle tankers and then directly to customers. As at the reporting date, all the gas produced from the reservoir is used for production needs.

D. The Columba Terraces oil asset is located in the northern part of the North Sea, approx. 386 km northeast of Aberdeen in Scotland, at a water depth of approx. 145 m, and it mostly contains oil. The oil asset includes two licenses that are held at varying rates by Ithaca Group as set out below, and Canadian Natural Resources Limited serves as the operator in the reservoir. As of the report date, there are seven active producing wells in the reservoir. Production is carried out through the Ninian production facilities and from there the oil and natural gas is transferred via Ninian's pipeline to a receiving terminal on the Shetland Islands. As at the reporting date, the asset is still producing and it is therefore included in this report, however, since production from the oil asset is expected to end in the near future, the Resources Report for 2023 included only the decommissioning costs for the asset.

(2) General details:

General details	
Name of oil asset:	**Group of Other Non-Operated Assets - cluster of four assets:** Jade (and JadeSouth) Elgin - Franklin Pierce Columba Terraces
Location:	The oil assets are located in the North Sea on the UK Continental Shelf.
Type of oil asset and description of permitted operations according to the type:	Exploration, development and production licenses for oil and gas resources issued by the UK government
Original grant date of the oil asset:	Jade & Jade South: P.1589 - Mar. 1, 2002 P.672 - Jul. 20, 1989 Elgin - Franklin: P.188 - Mar. 16, 1972 P.362 - Apr. 9, 1981 P.666 - Jul. 15, 1989 Pierce: P.111 - Jun. 9, 1970 P.114 – unknown Columba Terraces: Columba B and E - Mar. 15, 1972 Columba D - Mar. 16, 1972
Original expiry date of the oil asset:	Elgin - Franklin: P.188 - Mar. 15, 1978 P.362 - Dec. 16, 1986 P.666 - Jul. 19, 1995 Jade & Jade South: P.1589 - Nov. 11, 2014

General details	
	P.672 - Jul. 19, 1995 Pierce: P.111 - Jun. 8, 1976 P.114 – unknown Columba Terraces: Columba B and E – P.199, Block 3/8A (COLB) Mar.15, 1978, P.203, Block 3.7a (AREA B), P.203, Block 3.7a (A-NTH) Mar. 15, 1978 Columba D – P.199, Block 3/8A (COLD) Mar. 15, 1978
Dates of decisions regarding extension of the term of the oil asset:	Jade & Jade South: P.1589 - Feb. 2017 P. 672 - Jul. 2007 Elgin - Franklin: P.188 - Mar. 12, 2018 P.362 - Oct. 24, 2016 P.666 – unknown Pierce: P.111 – Jun. 8, 2016 P.114 – unknown Columba Terraces - Unknown
Current expiry date of the oil asset:	Jade & Jade South: P.1589 - Feb. 11, 2035 P.672 - Jul. 19, 2025 Elgin - Franklin: P.362 & P.188 - a producing oil asset and no expiry date was set. The licenses may expire should production be discontinued for 12 consecutive months. P.666 - Jul. 19, 2025 Pierce: P.111 & P.114 - a producing oil asset with no expiry date. The license may expire if production is discontinued for 12 consecutive months. Columba Terraces: P.199 & P.203 - producing oil assets with no expiry date. The licenses may expire should production be discontinued for 12 consecutive months.
Note whether there are additional options for extending the term of the oil asset; if such option exists - the term of the possible extension should be noted:	-
Name of the operator:	• Harbour Energy plc is the operator of the Jade and Jade South assets • TotalEnergies E&P U.K. Limited is the operator of the Elgin-Franklin asset;

General details	
	• Shell UK Exploration & Production is the operator of the Pierce asset; • CNR International (U.K.) Limited is the operator in Columba Terraces
Names of the direct partners in the oil asset and their direct share in the oil asset and, to the best of the Company's knowledge, the names of the controlling shareholders in the partners:	Jade & Jade South: Harbour Energy plc[19]- 67.5% – through the subsidiaries: • Chrysaor Petroleum Company U.K. Limited – 32.5% • Chrysaor Limited – 35% Ithaca Group - 25.5% Eni S.p.A ("**ENI**")[20] - 7% Elgin - Franklin: Total[21] - 46.173% Eni Elgin/Franklin Limited[22] - 21.867% Premier Oil UK Limited[23] - 19.31% Neo Energy Natural Resources Limited [24] - 4.375% Ithaca Group - 6.088% One-Dyas E&P Limited[25] - 2.1875% Pierce Shell UK Exploration & Production [26] 92.52% Ithaca Group - 7.48% Columba Terraces: Columba B and D: CNR International (U.K.) Limited[27] - 94.4% Ithaca Group - 5.6% Columba E: CNR International (U.K.) Limited – 91.6% Ithaca Group – 8.4%

19 To the best of the Company's knowledge - a publicly-traded company listed on the London Stock Exchange as a result of the completion of a merger between Chrysaor Holdings Limited and Premier Oil.

20 To the best of the Company's knowledge, ENI is a publicly-traded company listed on the New York Stock Exchange and the Italian Stock Exchange. The Italian government is the primary controlling shareholder through the government company National Promotional Institution.

21 To the best of the Company's knowledge, wholly-owned privately-held company (100%) (indirect) of Total S.A., a publicly-traded company listed on the NASDAQ and on the European Euronext Stock Exchange, without a control core.

22 To the best of the Company's knowledge, a wholly-owned privately-held company (100%) (indirect) of ENI, a publicly-traded company listed on the New York Stock Exchange and on the Italian Stock Exchange. The Italian government is the primary controlling shareholder through the government company National Promotional Institution.

23 To the best of the Company's knowledge, a wholly-owned privately-held company (100%) of Harbour Energy Plc, a publicly-traded company listed on the London Stock Exchange as a result of the completion of a merger between Chrysaor Holdings Limited and Premier Oil.

24 To the best of the Company's knowledge, a wholly-owned privately-held company (100%) of Hite vision, which is privately held.

25 To the best of the Company's knowledge, a wholly-owned privately-held company (100%) of SHV Holdings N.V.

26 To the best of the Company's knowledge, a privately-held company controlled by the global Shell Group.

27 To the best of the Company's knowledge, a wholly-owned private limited company (100%) of Canadian Natural Resources Limited.

General information about the Company's share in the oil assets	
Acquisition date:	The interests in the Pierce asset were acquired by Ithaca Group in 2014. Jade - 19.93% of the interests were acquired as part of the Chevron transaction that was signed on May 29, 2019, and which came into effect on January 1, 2019; an additional 5.57% of the interests were acquired as part of the Siccar Point transaction that was completed in June 2022; the acquired interests came into effect on January 1, 2022. Elgin-Franklin - 3.9% of the interests were acquired as part of the Chevron transaction that was signed on May 29, 2019, and which came into effect on January 1, 2019; an additional 2.1875% of the interests were acquired as part of the Summit transaction that was completed in June 2022; the acquired interests came into effect on January 1, 2021.
Description of the Company's holding in the oil asset:	Through the Company's holdings (indirect) in Ithaca shares.
Effective share of oil asset revenues attributable to equity holders of the Company:	Jade – 22.58% Elgin - Franklin – 5.39% Pierce - 6.62% Columba Terraces B and D – 4.95% Columba Terraces E – 7.43%
Total share of equity holders of the Company in the cumulative investment in the oil asset in the five years preceding the last day of 2023 (whether recognized as an expense or as an asset in the financial statements):	The Jade asset - approx. USD 51 million JadeSouth Asset - approx. USD 5.9 million Elgin - Franklin assets - approx. USD 28 million Pierce Asset - approx. USD 41 million Columba Terraces assets - approx. USD 3 million

(3) Pre-holding operations and additional information with regard to the Group of Other Non-Operated Assets:

A. The Jade Reservoir was discovered in 1996 by a third party. In 2001, a production and processing platform was established, which is wholly owned by all the partners in the asset. In 2002 production from the reservoir began.

B. Elgin-Franklin reservoir - the Elgin and Franklin fields were discovered in 1985 and 1991 (respectively) by third parties. Development of the reservoir began in 1999, and production from the reservoir began in 2001.

This reservoir has 5 production and treatment platforms, 3 of which are tied into one another via a bridge that was constructed in 1999-2000, and two are unmanned platforms that were installed in 2007 and 2014. All the platforms are owned by the partners in the asset.

C. Pierce Reservoir was discovered in 1975 by a third party, and production from the reservoir began in 1999.

D. Columba Terraces assets - The Columba E reservoir was discovered in 1975, Columba B in 1976 and Columba D in 1980. In 1994, production commenced in these assets.

(4) Compliance with work plans:

To the best of the Company's knowledge, at Reporting Date, the binding work schedules for the foregoing assets have been fully implemented.

(5) Actual and planned work schedule:

Below is a summary description of the main actions actually carried out in the Other Non-Operated Assets as from January 1, 2021, as well as planned actions:

Period	Summary of operations implemented in the period and the planned work schedule	Estimated total budget for operations according to oil asset (in USD million)	Actual participation of the Company's equity holders in the budget (in USD million)
2021	• Pierce reservoir: Continuing the project for pressure reduction in the reservoir • Jade Reservoir: exploration drilling in the area of the P.1589 license • Elgin Franklin Reservoir – drilling and infrastructure maintenance	Approx. 396	Approx. 38
2022	• Jade Reservoir: Drilling of supplementary well • Elgin Franklin Reservoir – drilling and infrastructure maintenance • Pierce Reservoir - Maintenance work for FPSO	Approx. 484	Approx. 52
2023	• Jade Reservoir - infrastructures upgrades and J06 well maintenance • Elgin Franklin Reservoir - infrastructures upgrades and study of data Pierce Reservoir - maintenance work for pressure reduction project	Approx. 147	Approx. 13
2024	• Jade Reservoir - infrastructure maintenance • Elgin Franklin Reservoir – infrastructure maintenance and initial engineering design for electrification • Pierce reservoir - infrastructures upgrades and conversion work of injectors	Approx. 53	Approx. 8
2025 onwards:	• Jade Reservoir - infrastructure maintenance • Elgin Franklin Reservoir – infrastructure maintenance, electrification and rehabilitation of wells • Pierce reservoir - infrastructures upgrades and conversion work of injectors	Approx. 377	Approx. -94

Forward-looking information - the information concerning the planned operations in the oil and gas and oil fields, including with regard to costs, time schedules and actual execution, is forward-looking information, as defined in the Israel Securities Law, and are based the assessments of Ithaca Group that depend, among other things, on third parties, climate conditions, economic conditions, regulatory changes, technical capacities, availability of equipment and other factors that are beyond the Company's control. Consequently, implementation of the work schedule, including timetables and costs, may differ materially from the estimates described above.

(6) Actual participation in the expenses and revenues of the Group of Other Non-Operated Assets:

The actual interests and participation rates attributable to the Company's equity holders in all Other Non-Operated Assets are equivalent to the share that is effectively attributed to the Company's equity holders in these assets, as set forth in Section (2) above (under General Details), as no royalties are paid on these assets to the UK government or to third parties, and no other payments derived from the revenues or the expenses are paid from revenues or expenses under income and expenses.

(7) Description of material agreements between the partners in the oil assets:

The exploration, development and production operations in the Other Non-Operated Assets described above are carried out under a JOA that was signed by the partners for each asset, and in the Elgin-Franklin asset, operations are carried out under a UUOA.

For details concerning the issues and material provisions included in the UUOAs and JOAs, see Section 1.8.4(c)(7) above.

In the majority of the JOAs applicable for the assets in this cluster, the right of a partner in the asset to transfer its interests in a third party will be subject to the first refusal rights of the other partners in the asset.

Each of the JOAs and UUOAs in this group provides for a different majority for decisions by the partners.

(8) Reserves and contingent resources in the Group of Other Non-Operated Assets

For details concerning reserves and contingent resources in the Group of Other Non-Operated Assets and discounted cash flows deriving from them as at December 31, 2023, see Section 9 of the NSAI Report. As at the report approval date, there has been no change to this information. The NSAI consent letter to include the NSAI report in this report, including by way of reference, is attached as **Appendix B** to this report.

(j) **Group of Ithaca's Other Operated Assets**

(1) General

This cluster of assets includes two producing oil assets (Cook and Erskine), the Alba oil asset in which production is expected to end soon, and the Fotla oil asset which, as at the reporting date, is non-producing, in which Ithaca Group has varying interests (as set out in the table below) and in which it serves as operator. Below are details regarding the Ithaca's Other Operated Assets and Ithaca's interests in the assets:

A. Cook oil asset is located in the center of the North Sea, approx. 195 km east of Aberdeen in Scotland, at a water depth of approx. 94 m, and it mostly contains light oil. The oil asset includes one license. As of the report date, the asset has one active producing well. The reservoir is connected by a 12-km subsea pipeline to the FPSO wholly owned by a third party (the Anasuria Operating Company). After processing and treatment, the gas is transmitted via the SAGE pipeline system to the St. Fergus terminal and the crude oil is transferred to shuttle tankers used for maritime shipping of the crude, and from there directly to customers. Close to the producing Cook Field, Ithaca has interests in two additional exploration licenses: License P.2532 and License P.2534.

B. The Erskine Oil Asset is in the center of the North Sea, approx. 241 km east of Aberdeen, Scotland, at a 91-meter water depth, and it mostly contains gas. The reservoir includes two licenses that are held at various rates by Ithaca Group, as set out below. The partners in these licenses signed a UUOA regulations the joint operations in the licenses. As of the report date, there are four active producing wells in the Erskine Reservoir.The gas and condensate produced from the reservoir are processed on an unmanned rig owned by the Erskine Field partners. The rig is located over the wells to regulate the pressure and is tied in, via a subsea pipeline, to the Lomond Platform, that is wholly owned by Harbour Energy, which is one of the partners in the reservoir. The gas is then transmitted to the CATS pipeline and the condensate is transmitted via the Forties Pipeline system.

C. The Alba Oil Asset is located in the center of the North Sea, approx. 225 km northeast of Aberdeen in Scotland, at water depth of approx. 134 m, and it contains oil and natural gas. The reservoir includes two licenses in three blocks held at various rates by Ithaca Group, as set out below. The partners in these licenses signed a UUOA regulations the joint operations in the licenses. As of the report date, there are 23 active producing wells in the reservoir. In December 2021, a transaction was completed whereby Ithaca procured (through a subsidiary) 13.3% of the interests in Area A of P.213 license. Subsequent to the completion of the transaction, Ithaca, which is the license's operator, holds approx. 36.7% of the license's interests. For further details, see the Company's immediate report dated December 5, 2021 (Ref. No. 2021-01-176016), the details of which are included herein by way of reference. In November 2023, a transaction was completed whereby Ithaca acquired (through a subsidiary) 34.5% of the interests in Area C of the P.213 license. For further details, see the Company's immediate reports of July 12, 2023 and November 1, 2023 (Ref. Nos.: 2023-01-078972 and 2023-01-120687, respectively), the details of which is included herein by way of reference.The crude oil produced from Alba Reservoir (License P.213) is conveyed to the production and treatment rig and from there to a floating storage unit via a 12 inch subsea pipeline, and from there shuttle tankers are used for maritime shipping of the crude oil. The rig and the floating storage unit are wholly owned by all the partners in the License. Near the producing Alba field, Ithaca has interests in two additional exploration licenses: the P.2536 license and the P.2525 license. As at the reporting date, the asset is still producing and it is therefore included in this report, however, since production from the oil asset is expected to end in the near future, the Resources Report for 2023 included only the decommissioning costs for the asset.

(2) General details:

General details	
Name of oil asset:	**Group of Other Operated Assets - cluster of three assets and two exploration licenses:** Cook Erskine Alba P.2536 P.2525
Location:	The oil and gas assets are located in the middle of the North Sea on the UK Continental Shelf.
Type of oil asset and description of permitted operations according to the type:	Exploration, development and production licenses for oil and gas resources issued by the UK government
Original grant date of the oil asset:	Cook: P.185 - Mar. 15, 1978 Near the producing Cook Field, Ithaca has interests in two additional licenses: P.2532 – Dec. 1, 2020 P.2534 – Dec. 1, 2020 Erskine: P.057 - Nov. 25, 1965 P.264 - Nov. 24, 1977 Alba: P.213 - Jul. 10, 1972 P.2373 -Block 22/1b ALL - Sep. 20, 2018 Near the producing Alba Field, Ithaca has interests in two additional licenses: P.2536 – Dec. 1, 2020 P.2525 – Dec. 1, 2020
Original expiry date of the oil asset:	Cook: P.185 - Mar. 15, 1978 P.2532 – unknown P.2534 – Nov. 30, 2026 Erskine: P.057 - Nov. 24, 1971 P.264 - Nov. 23, 1981 Alba: P.213 - Mar. 15, 2018 P.2373 - Block 22/1b ALL- Sep. 20, 2022 P.2536 – Nov. 30, 2025 P.2525 – Nov. 30, 2025

General details	
Dates of decisions regarding extension of the term of the oil asset:	Cook: P.185 - Mar. 15, 2018 Erskine: P.057 - Mar. 8, 2011 P.264 - Nov. 18, 2014 Alba: P.213 - Mar. 12, 2018 P.2373 - Block 22/1b ALL- unknown
Current expiry date of the oil asset:	Cook: P. 185 - a producing asset and therefore no expiry date was set. The license may expire if production is discontinued for 12 consecutive months. P.2532 – Nov. 30, 2024 (end of second period) P.2534 – Nov. 30, 2026 Erskine: P.057 - a producing asset and therefore no expiry date was set. The license may expire if production is discontinued for 24 consecutive months. P.264 - similar to the P.185 license, see above Alba: P.213 - similar to the P.185 license, see above P.2373 – Sep. 30, 2026 (end of the second term of the lease) P.2525 – Nov. 30, 2025 P.2536 – Nov. 30, 2025
Note whether there are additional options for extending the term of the oil asset; if such option exists - the term of the possible extension should be noted:	Cook: P.2532 – Nov. 30, 2042 (expiration) P.2534 - Nov. 30, 2030 (end of second period) Nov. 30, 2048 (expiration) Alba: P.2373 - the term of the license can be extended through to Sep. 30, 2044. P.2525 - Nov. 30, 2029 (end of second period) Nov. 30, 2047 (expiration)

General details	
	P.2536 - Nov. 30, 2029 (end of second period) Nov. 30, 2047 (expiration)
Name of the operator:	Ithaca Energy (UK) Limited
Names of the direct partners in the oil asset and their direct share in the oil asset and, to the best of the Company's knowledge, the names of the controlling shareholders in the partners:	Cook: P.185 Ithaca Group - 61.34% Ping Petroleum (UK) Limited[28] - 19.33% Anasuria Hibiscus (UK) Limited[29] - 19.33% P.2532 Ithaca Group - 61.34% Ping Petroleum (UK) Limited[30] - 19.33% Anasuria Hibiscus (UK) Limited[31] - 19.33% P.2534 Ithaca Energy (UK) Limited - 100% Erskine: Ithaca Group - 50% Harbour Energy[32] - 32% Serica Energy (UK) Limited[33] - 18% Alba: P.213: Ithaca Group - 36.7% Waldorf Production UK Limited[34] - 25.7%

28 To the best of the Company's knowledge, a wholly-owned privately-held company (100%) of Ping Petroleum Limited, which is a privately-held company.

29 To the best of the Company's knowledge, a wholly-owned privately-held company (100%) of Hibiscus Petroleum Bhd, a publicly-traded company listed on the Malaysia Stock Exchange, without a control core.

30 To the best of the Company's knowledge, a wholly-owned privately-held company (100%) of Ping Petroleum Limited, which is a privately-held company.

31 To the best of the Company's knowledge, a wholly-owned privately-held company (100%) of Hibiscus Petroleum Bhd, a publicly-traded company listed on the Malaysia Stock Exchange, without a control core.

32 To the best of the Company's knowledge, an indirectly wholly-owned privately-held company (100%) of Harbour Energy Plc, a publicly-traded company listed on the London Stock Exchange as a result of the completion of a merger between Chrysaor Holdings Limited and Premier Oil.

33 See footnote 19.

34 To the best of the Company's knowledge, a privately held company which is largely held by Norwegian private capital.

General details	
	NEO Energy (SNS) Limited (“**NEO**”)[35] - 17% Spirit Energy Resources Limited[36] - 12.6% EnQuest Heather Limited[37] - 8% <u>P.2373:</u> Ithaca Group - 60% Spirit Energy Resources Limited - 40% <u>P.2536</u>: Ithaca Group - 100% <u>P.2525:</u> Ithaca Group - 25% Chrysaor – 30% Neo – 20% Spirit Energy Resources Limited[38] - 25%

General information about the Company's share in the oil assets	
Acquisition date:	All of these assets, excluding Cook Field, were acquired under the Chevron Transaction that was signed on May 29, 2019, and which became effective on January 1, 2019. 13.3% of Ithaca’s interests in the P.213 license in the Alba field were procured in December 2021 from Mitsui E&P UK Limited. 34.5% of Ithaca’s interests in Area A in the P.213 license in the Alba field and 50% of the interests in the P.2536 license were acquired in the Spirit Transaction, which was signed in July 2023 and came into effect on January 1, 2023; Ithaca’s interests in the Cook field were acquired between 2011-2014. Ithaca’s interests in the P.2532, P.2525, and P.2534 licenses and 50% of Ithaca’s interests in the P.2536 license were acquired and granted under Tender 32 of the UK government.
Description of the Company's holding in the oil asset:	Through the Company’s holdings (indirect) in Ithaca shares.

35 To the best of the Company's knowledge, a wholly-owned privately-held company (100%) of Hitec Vision, which is a privately-held company.
36 To the best of the Company's knowledge, a wholly-owned privately-held company (100%) of Centrica Plc, a publicly-traded company traded on the London Stock Exchange, without a control core.
37 To the best of the Company’s knowledge, a publicly-traded company listed on the NASDAQ, the London Stock Exchange and the Stockholm Stock Exchange.
38 To the best of the Company's knowledge, a wholly-owned privately-held company (100%) of Centrica Plc, a publicly-traded company traded on the London Stock Exchange, without a control core.

General information about the Company's share in the oil assets	
Effective share of oil asset revenues attributable to equity holders of the Company:	Alba: P.213 – 32.49% P.2373 – 53.13% P.2536 – 88.55% P.2525 – 22.13% Erskine – 44.27% Cook - P.185, P.2532 – 54.31% P.2534 – 88.55%
Total share of equity holders of the Company in the cumulative investment in the oil assets in the five years preceding the last day of 2023 (whether recognized as an expense or as an asset in the financial statements):	Alba Reservoir - approx. USD 24 million Erskine Reservoir – approx. USD 1.7 million Cook Reservoir – approx. USD 46 million

(3) Past operations and additional information:

A. The Cook Reservoir was discovered in 1983 by a third party. Development of the reservoir began in 1998, and production began in 2000. Ithaca Group acquired additional participation interests in the reservoir at a rate of approx. 61.5% from 2011 through 2014. In 2017 Ithaca UK was appointed the Operator of the oil asset.

B. Erskine Reservoir was discovered in 1981 by a third party. Development of the reservoir began in 1995, and production began in 1997.

In 1996 a permanent production and processing platform was established in the Erskine Reservoir, which is wholly owned by all the partners in the license.

C. Alba Reservoir was discovered in 1984. Development of the reservoir began in 1991. Production in the License P.213 area began in 1994.

In 1993, the permanent production and treatment facility, Alba Northern Platform, was established in the P.213 license area and is owned by all the partners in the license.

(4) Compliance with work plans:

To the best of the Company's knowledge, as at report approval date, the binding work schedules for these assets have been fully implemented.

(5) Actual and planned work schedule:

Below is a summary description of the main actions actually carried out in Ithaca's Other Operated Assets as from January 1, 2021, as well as planned actions:

Period	Summary of operations implemented in the period and the planned work schedule	Estimated total budget for operations according to oil asset (in USD million)	Actual participation of the Company's equity holders in the budget (in USD million)
2021	• Alba reservoir - exploration drilling was completed in the area of the P.2373 license; Alba reservoir - drilling of supplementary wells and upgrading of infrastructure	Approx. 40	Approx. 20
2022	• Alba Reservoir - infrastructures upgrades	Approx. 16	Approx. 6

Period	Summary of operations implemented in the period and the planned work schedule	Estimated total budget for operations according to oil asset (in USD million)	Actual participation of the Company's equity holders in the budget (in USD million)
2023	• Alba Reservoir - drilling of supplementary wells and infrastructures upgrades • Erskine Reservoir - infrastructures upgrades and rehabilitation of Well 1 • Cook Reservoir - engineering works	Approx. 51	Approx. 18
2024	• Erskine Reservoir - infrastructures upgrades, rehabilitation of Well 1 and pressure reduction project • Cook Reservoir - engineering works	Approx. 43	Approx. 19
2025 onwards	• Erskine Reservoir - infrastructures upgrades, rehabilitation of Well 1 and pressure reduction project • Cook Reservoir - engineering works	Approx. 56	Approx. 27

Forward-looking information - the information concerning the planned operations in the oil and gas and oil fields, including with regard to costs, time schedules and actual execution, is forward-looking information, as defined in the Israel Securities Law, and are based the assessments of Ithaca Group that depend, among other things, on third parties, climate conditions, economic conditions, regulatory changes, technical capacities, availability of equipment and other factors that are beyond the Company's control. Consequently, implementation of the work schedule, including timetables and costs, may differ materially from the estimates described above.

(6) Percentage of actual participation in costs and revenues of Group of Ithaca's Other Operated Assets:

The actual interests and participation rates attributable to the Company's equity holders in Group of Ithaca's Other Operated Assets are equivalent to the share that is effectively attributed to the Company's equity holders in these assets, as set forth in the tables set forth above (under General Details), as no royalties are paid on these assets to the UK government or to third parties, and no other payments derived from the revenues or the expenses are paid from revenues or expenses under income and expenses.

(7) Description of material agreements between the partners in the Group of Ithaca's Other Operated Assets:

Exploration, development and production in the Ithaca Group Operated Assets are carried out under a joint operating agreement (JOA) signed between the partners with respect to each asset. With regard to the Erskine asset, the operations are also carried out under the UUOA, which also includes the criteria set under the JOA. For details concerning the issues and material provisions included in the UUOAs and JOAs, see Section 1.8.4(c)(7)a above.

Each of the JOAs and UUOAs in Ithaca's Other Operated Assets provides for a different majority for decisions by the partners.

(8) Reserves, contingent resources, and discounted cash flows in the Group of Ithaca's Other Operated Assets

For details concerning reserves and contingent resources in Ithaca's Other Operated Assets and discounted cash flows deriving from them as at December 31, 2023, see Section 10 of the NSAI Report. The NSAI consent letter to include the NSAI report in this report, including by way of reference, is attached as **Appendix B** to this report.

(k) **Rosebank reservoir**

(1) General

The Rosebank Reservoir was discovered in 2004 and is located in the northern Atlantic Ocean, approx. 130 km northwest of the Shetland Islands, at a water depth of approx. 1,100 meters, and mainly contains oil. The reservoir includes three licenses, as set out below. Ithaca holds 20% of the interests in the reservoir, and Equinor UK Limited serves as its operator. The oil asset was declared a discovery and is considered the largest undeveloped oil reservoir on the UK Continental Shelf. In September 2023, a final investment decision (FID) was made for the development of Phase 1 in the reservoir, in a total estimated amount of approx. USD 3.8 billion (100%), which Ithaca estimates may produce approx. 245 MBOE (100%). Production from the reservoir might begin in 2026-2027.

(2) General details:

General details	
Name of oil asset:	**Rosebank:** P.1026 P.1191 P.1272
Location:	Northern Atlantic Ocean, approx. 130 km northwest of the Shetland Islands.
Type of oil asset and description of permitted operations according to the type:	Exploration, development and production licenses for oil and gas resources issued by the UK government
Original grant date of the oil asset:	Rosebank: P.1026 - Jun. 1, 2001 P.1191 – Dec. 1, 2004 P.1272 – Dec. 22, 2005
Original expiry date of the oil asset:	Rosebank: P.1026 – May 23, 2019 P.1191 – May 23, 2019 P.1272 – May 23, 2019
Dates of decisions regarding extension of the term of the oil asset:	Rosebank: P.1026 – May 31, 2022 P.1191 - May 31, 2022 P.1272 - May 31, 2022
Current expiry date of the oil asset:	Rosebank: P.1026 – May 31, 2024 P.1191 - May 31, 2024 P.1272 - May 31, 2024
Note whether there are additional options for extending the term of the oil asset; if such option exists - the term of the possible extension should be noted:	Rosebank: P.1026 – May 31, 2037 P.1191 - Nov. 30, 2030 P.1272 - Dec. 21, 2031
Name of the operator:	Equinor UK Limited
Names of the direct partners in the oil asset and their direct share in the oil asset and, to the best of the Company's	Rosebank: P.1026

General details	
knowledge, the names of the controlling shareholders in the partners:	P.1191 P.1272 Equinor UK Limited[39] - 80% Ithaca SP E&P Limited – 20%

General information about the Company's share in the oil asset	
Acquisition date:	The interests in the assets were acquired by Ithaca in the SiccarPoint transaction. The acquired interests became effective on January 1, 2022.
Description of the Company's holding in the oil asset:	Through the Company's holdings (indirect) in Ithaca shares
Effective share of oil asset revenues attributable to equity holders of the Company:	Rosebank: P.1026 – 17.71% P.1191– 17.71% P.1272– 17.71%
Total share of equity holders of the Company in the cumulative investment in the oil asset in the five years preceding the last day of 2023 (whether recognized as an expense or as an asset in the financial statements):	Approx. USD 49 million

(3) Past operations and additional information:

Rosebank Reservoir was discovered in 2004 by a third party. Between 2006 and 2009, ten appraisal drillings and sidetracks were performed in the reservoir, following which the oil asset was declared a discovery. Equinor serves as the reservoir operator since 2018.

(4) Compliance with work plan:

To the best of the Company's knowledge, the binding work schedule for the foregoing asset, until the date of publication of this report, has been fully implemented.

(5) Actual and planned work schedule:

Below is a summary description of the main actions actually carried out in the oil asset as from January 1, 2021, and a summary description of planned actions:

Period	Summary of operations implemented in the period and the planned work schedule	Estimated total budget for operations on the level of the oil asset (in USD million)	Actual participation of the Company's equity holders in the budget (in USD million)
2021	• Rosebank field - analysis of preliminary information for FID purposes	Approx. 50	Approx. 9

39 To the best of the Company's knowledge, a wholly-owned privately-held company (100%) of Equinor ASA, a publicly-traded company traded on the NYSE and Oslo Stock Exchange, under the control of the Norwegian government.

Period	Summary of operations implemented in the period and the planned work schedule	Estimated total budget for operations on the level of the oil asset (in USD million)	Actual participation of the Company's equity holders in the budget (in USD million)
2022	• Rosebank field - analysis of preliminary information for FID purposes	Approx. 94	Approx. 17
2023	• Rosebank field - analysis of preliminary information for FID purposes	Approx. 485	Approx. 86
2024	• Rosebank Field - engineering expenses and the procurement	Approx. 910	Approx. 161
2025 onwards	• Rosebank Field - engineering expenses and the procurement of facilities for the development of the asset in the coming years	Approx. 3,580	Approx. 634

Forward-looking information - the information concerning the planned operations in the oil asset, including with regard to costs, time schedules and actual execution, is forward-looking information, as defined in the Israel Securities Law, and are based the assessments of Ithaca Group that depend, among other things, on third parties, climate conditions, economic conditions, regulatory changes, technical capacities, availability of equipment and other factors that are beyond the Company's control. Consequently, implementation of the work schedule, including timetables and costs, may differ materially from the estimates described above.

(6) Share in the actual expenses and revenues relating to the Rosebank Reservoir:

The actual participation rates in the expenses and revenues related to the asset group that were attributed to the Company's equity holders are equivalent to the share that is effectively attributed to the Company's equity holders in these assets, as set forth in the tables in Section (2) above (under General Details), as no royalties are paid on these assets to the UK government or to third parties, and no other payments derived from the revenues or the expenses are paid from income and expenses.

(7) Description of material agreements between the partners in the assets:

Exploration, development and production in the Rosebank Reservoir assets are carried out under a joint operating agreement (JOA) signed between the partners with respect to the assets. For details concerning the issues and material provisions included in the UUOAs and JOAs, see Section 1.8.4(c)(7)a above.

(8) Resources and discounted cash flow data for the Rosebank Reservoir

For details concerning the resources in the Rosebank Reservoir as at December 31, 2023, see Section 11 of the NSAI Report. The NSAI consent letter to include the NSAI report in this report, including by way of reference, is attached as **Appendix B** to this report.

(l) **Cambo reservoir**

(1) General

Cambo Reservoir is an oil asset that contains contingent resources. The reservoir was discovered in 2002 and is located in the northern Atlantic Ocean, approx. 125 km northwest of the Shetland Islands, at a water depth of approx. 1,100 meters, and mainly contains oil. The reservoir includes two licenses, as set out below. On November 30, 2023, a transaction was completed in which Ithaca (through a subsidiary) acquired 30% of the interests in the reservoir; subsequent to completion of the transaction, Ithaca holds the entire interests in the reservoir (100%), and serves as its operator. For details about the transaction, see Section B1 in the third part of the report for the first quarter of 2023, which was published on May 31, 2023 (Ref. No.: 2023-01-058623), and the Company's immediate report of November 30, 2023 (Ref. No.: 2023-01-130800), the details of which are included herein by way of reference.

(2) General details:

General details	
Name of oil asset:	**Cambo:** P.1028 P.1189
Location:	Northern Atlantic Ocean, approx. 125 km northwest of the Shetland Islands.
Type of oil asset and description of permitted operations according to the type:	Exploration, development and production licenses for oil and gas resources issued by the UK government
Original grant date of the oil asset:	Cambo: P.1028 - Jun. 1, 2001 P.1189 - Dec. 1, 2004
Original expiry date of the oil asset:	Cambo: P.1028 – Mar. 31, 2022 P.1189 – Mar. 31, 2022
Dates of decisions regarding extension of the term of the oil asset:	Cambo: P.1028 – Mar. 7, 2024 P.1189 – Mar. 7, 2024
Current expiry date of the oil asset:	Cambo: P.1028 – Mar. 31, 2026 P.1189 – Mar. 31, 2026
Note whether there are additional options for extending the term of the oil asset; if such option exists - the term of the possible extension should be noted:	Cambo: P.1028 – May 31, 2037 P.1189 – Nov. 30, 2030
Name of the operator:	Ithaca Energy (UK) Limited
Names of the direct partners in the oil asset and their direct share in the oil asset and, to the best of the Company's knowledge, the names of the controlling shareholders in the partners:	Cambo: P.1028 P.1189 Through Ithaca Group – 100%: Ithaca SP E&P Limited - 70% Ithaca Energy (UK) Limited - 30%

General information about the Company's share in the oil asset	
Acquisition date:	70% of the interests in the assets were acquired by Ithaca in the SiccarPoint transaction. The acquired interests became effective on January 1, 2022. 30% of the interests in the assets were acquired by Ithaca in the Shell transaction; the acquired interests came into effect on November 4, 2023.

General information about the Company's share in the oil asset	
Description of the Company's holding in the oil asset:	Through the Company's holdings (indirect) in Ithaca shares
Effective share of oil asset revenues attributable to equity holders of the Company:	Cambo: P.1028 – 88.55% P.1189 – 88.55%
Total share of equity holders of the Company in the cumulative investment in the oil asset in the five years preceding the last day of 2023 (whether recognized as an expense or as an asset in the financial statements):	Approx. USD 117 million

(3) Past operations and additional information:

Cambo Reservoir was discovered in 2002 by a third party. Between 2002 and 2018, six appraisal drillings and three sidetracks were performed in the reservoir, following which the oil asset was declared a discovery.

(4) Compliance with work plan:

To the best of the Company's knowledge, the binding work schedule for the foregoing asset, until the date of publication of this report, has been fully implemented.

(5) Actual and planned work schedule:

Below is a summary description of the main actions actually carried out in the oil asset as from January 1, 2021, and a summary description of planned actions:

Period	Summary of operations implemented in the period and the planned work schedule	Estimated total budget for operations on the level of the oil asset (in USD million)	Actual participation of the Company's equity holders in the budget (in USD million)
2021	• Cambo field - analysis of preliminary information for FID purposes	Approx. 69	Approx. 43
2022	• Cambo field - analysis of preliminary information for FID purposes	Approx. 10	Approx. 6
2023	• Cambo field - analysis of preliminary information for FID purposes	Approx. 10	Approx. 9
2024	• Cambo field - analysis of preliminary information for FID purposes	Approx. 13	Approx. 12
2025 onwards	• Cambo Field - engineering expenses and the procurement of facilities for the development of the asset in the coming years	Approx. 3,736	Approx. 3,308

Forward-looking information - the information concerning the planned operations in the oil asset, including with regard to costs, time schedules and actual execution, is forward-looking information, as defined in the Israel Securities Law, and are based the assessments of Ithaca Group that depend, among other things, on third parties, climate conditions, economic conditions, regulatory changes, technical capacities, availability of equipment and other factors that are beyond the Company's control. Consequently, implementation of the work schedule, including timetables and costs, may differ materially from the estimates described above.

(6) Share in the actual expenses and revenues relating to the Cambo Reservoir:

The actual participation rates in the expenses and revenues related to the asset group that were attributed to the Company's equity holders are equivalent to the share that is effectively attributed to the Company's equity holders in these assets, as set forth in the tables in Section (2) above (under General Details), as no royalties are paid on these assets to the UK government or to third parties, and no other payments derived from the revenues or the expenses are paid from income and expenses.

(7) Description of material agreements between the partners in the assets:

As Ithaca holds the majority of the interests (1000%) in the Cambo reservoir, most of the decisions in these assets are made by Ithaca Group.

(8) Resources and discounted cash flow data for the Cambo Reservoir

For details concerning the resources in the Cambo Reservoir as at December 31, 2023, see Section 12 of the NSAI Report. The NSAI consent letter to include the NSAI report in this report, including by way of reference, is attached as **Appendix B** to this report.

(m) **Tornado reservoir**

(1) General

Tornado Reservoir is an oil asset that contains contingent resources. The reservoir was discovered in 2009 and is located in the northern Atlantic Ocean, approx. 160 km west of the Shetland Islands, at a water depth of approx. 1,050 meters, and mainly contains oil. The reservoir includes one license, as set out below. Ithaca holds 50% of the interests in the reservoir and serves as its operator.

(2) General details:

General details	
Name of oil asset:	**Tornado:** P.2403
Location:	Northern Atlantic Ocean, approx. 160 km west of the Shetland Islands.
Type of oil asset and description of permitted operations according to the type:	Exploration, development and production license for oil and gas resources issued by the UK government
Original grant date of the oil asset:	Tornado: P.2403 - Oct. 1, 2018
Original expiry date of the oil asset:	Tornado: P.2403 - Sep. 30, 2026
Dates of decisions regarding extension of the term of the oil asset:	-
Current expiry date of the oil asset:	Tornado: P.2403 - Sep. 30, 2026
Note whether there are additional options for extending the term of the oil asset; if such option exists - the term of the possible extension should be noted:	Tornado: P.2403 - Sep. 30, 2030 (second lease term) P.2403 - Sep. 30, 2048 (license expiry)

General details	
Name of the operator:	Ithaca Energy (UK) Limited
Names of the direct partners in the oil asset and their direct share in the oil asset and, to the best of the Company's knowledge, the names of the controlling shareholders in the partners:	Tornado P.2403 Shell U.K. Limited.[40] - 50% Ithaca SP E&P Limited – 50%

General information about the Company's share in the oil asset	
Acquisition date:	The interests in the assets were acquired by Ithaca in the SiccarPoint transaction. The acquired interests became effective on January 1, 2022.
Description of the Company's holding in the oil asset:	Through the Company's holdings (indirect) in Ithaca shares
Effective share of oil asset revenues attributable to equity holders of the Company:	Tornado P.2403 – 44.28%
Total share of equity holders of the Company in the cumulative investment in the oil asset in the five years preceding the last day of 2023 (whether recognized as an expense or as an asset in the financial statements):	Approx. USD 0.6 million

(3) Past operations and additional information:

The Tornado Reservoir was discovered in 2009 by a third party. In addition to the exploration drilling, an appraisal well was drilled in the reservoir, and when it was completed, the oil asset was declared a discovery.

(4) Compliance with work plan:

To the best of the Company's knowledge, the binding work schedule for the foregoing asset, until the date of publication of this report, has been fully implemented.

(5) Actual and planned work schedule:

Below is a summary description of the main actions actually carried out in the oil asset as from January 1, 2021, and a summary description of planned actions:

Period	Summary of operations implemented in the period and the planned work schedule	Estimated total budget for operations on the level of the oil asset (in USD thousand)	Actual participation of the Company's equity holders in the budget (in USD thousand)
2021	• Tornado Field - study of data	0	0
2022	• Tornado Field - study of data	0	0
2023	• Tornado field - various tests, assessment of date	Approx. 1	Approx. 0.5

40 To the best of the Company's knowledge, a privately-held company wholly-owned (100%), indirectly, by the global Shell group.

Period	Summary of operations implemented in the period and the planned work schedule	Estimated total budget for operations on the level of the oil asset (in USD thousand)	Actual participation of the Company's equity holders in the budget (in USD thousand)
2024	• Tornado field - various tests, assessment of date	Approx. 30	Approx. 13
2025 onwards	• Tornado Field - preparatory work for the possibility of making a final investment decision (FID) and development of the asset in future years.	Approx. 761	Approx. 337

Forward-looking information - the information concerning the planned operations in the oil asset, including with regard to costs, time schedules and actual execution, is forward-looking information, as defined in the Israel Securities Law, and are based the assessments of Ithaca Group that depend, among other things, on third parties, climate conditions, economic conditions, regulatory changes, technical capacities, availability of equipment and other factors that are beyond the Company's control. Consequently, implementation of the work schedule, including timetables and costs, may differ materially from the estimates described above.

(6) Share in the actual expenses and revenues relating to the Tornado Reservoir:

The actual participation rates in the expenses and revenues related to the asset group that were attributed to the Company's equity holders are equivalent to the share that is effectively attributed to the Company's equity holders in these assets, as set forth in the tables in Section (2) above (under General Details), as no royalties are paid on these assets to the UK government or to third parties, and no other payments derived from the revenues or the expenses are paid from income and expenses.

(7) Description of material agreements between the partners in the assets:

Exploration, development and production in the Tornado Reservoir assets are carried out under a joint operating agreement (JOA) signed between the partners with respect to the asset. For details concerning the issues and material provisions included in the UUOAs and JOAs, see Section 1.8.4(c)(7)a above.

(8) Resources and discounted cash flow data for the Tornado Reservoir

For details concerning the resources in the Tornado Reservoir as at December 31, 2023, see Section 13 of the NSAI Report. The NSAI consent letter to include the NSAI report in this report, including by way of reference, is attached as **Appendix B** to this report.

(n) **Marigold Reservoir**

(1) General

Marigold reservoir is an oil asset that contains contingent resources. The reservoir was discovered in 2011 and is located in the northern North Sea, approx. 210 km northeast of Aberdeen, Scotland, at a water depth of approx. 145 meters, and mainly contains oil. The reservoir includes one license as set out below. Ithaca holds 100% of the interests in the reservoir.

(2) General details:

General details	
Name of oil asset:	**Marigold** P.2158
Location:	Northern North Sea on the UK Continental Shelf

General details	
Type of oil asset and description of permitted operations according to the type:	Exploration, development and production license for oil and gas resources issued by the UK government
Original grant date of the oil asset:	Marigold P.2158 – Dec. 1, 2014
Original expiry date of the oil asset:	Marigold P.2158 – unknown
Dates of decisions regarding extension of the term of the oil asset:	Marigold P.2158 – unknown
Current expiry date of the oil asset:	Marigold P.2158 – Dec. 31, 2024
Note whether there are additional options for extending the term of the oil asset; if such option exists - the term of the possible extension should be noted:	Marigold P.2158 – Nov. 30, 2040
Name of the operator:	Ithaca Energy (UK) Limited
Names of the direct partners in the oil asset and their direct share in the oil asset and, to the best of the Company's knowledge, the names of the controlling shareholders in the partners:	**Marigold** P.2158 – Ithaca Oil and Gas Limited – 100%

General information about the Company's share in the oil asset	
Acquisition date:	The interests in the asset were acquired by Ithaca in 2020.
Description of the Company's holding in the oil asset:	Through the Company's holdings (indirect) in Ithaca shares
Effective share of oil asset revenues attributable to equity holders of the Company:	Marigold P.2158 – 88.55%
Total share of equity holders of the Company in the cumulative investment in the oil asset in the five years preceding the last day of 2023 (whether recognized as an expense or as an asset in the financial statements):	Approx. USD 8 million

(3) Past operations and additional information:

The Marigold reservoir is located in Block 15/18b and was discovered by a third party in July 2015. Appraisal wells were drilled in March 2018 by a third party. The field contains oil, gas and findings that indicate the existence of gas in the Palaeocene Balmoral sands. Ithaca acquired the interests in the oil asset in March 2020 from Total E&P UK Ltd. Part of the consideration was paid on closing of the acquisition and the second part will be paid with the approval of the development plan for the field and once a certain minimum production of reserves is attained.

(4) Compliance with work plan:

To the best of the Company's knowledge, the binding work schedule for the foregoing asset, until the date of publication of this report, has been fully implemented.

(5) Actual and planned work schedule:

Below is a summary description of the main actions actually carried out in the oil asset as from January 1, 2021, and a summary description of planned actions:

Period	Summary of operations implemented in the period and the planned work schedule	Estimated total budget for operations on the level of the oil asset (in USD million)	Actual participation of the Company's equity holders in the budget (in USD million)
2021	• Marigold Field - study of data	0	0
2022	• Marigold Field - study of data	Approx. 4	Approx. 3.6
2023	• Marigold Field - study of data	Approx. 3	Approx. 2.6
2024	• Marigold Field - study of data	Approx. 31	Approx. 27
2025 onwards	• Marigold Field - Study of data for a future possibility for making a final investment decision (FID) and development of the asset in future years.	Approx. 1,612	Approx. 1,427

Forward-looking information - the information concerning the planned operations in the oil asset, including with regard to costs, time schedules and actual execution, is forward-looking information, as defined in the Israel Securities Law, and are based the assessments of Ithaca Group that depend, among other things, on third parties, climate conditions, economic conditions, regulatory changes, technical capacities, availability of equipment and other factors that are beyond the Company's control. Consequently, implementation of the work schedule, including timetables and costs, may differ materially from the estimates described above.

(6) Share in the actual expenses and revenues relating to the Marigold Reservoir:

The actual participation rates in the expenses and revenues related to the asset group that were attributed to the Company's equity holders are equivalent to the share that is effectively attributed to the Company's equity holders in these assets, as set forth in the tables in Section (2) above (under General Details), as no royalties are paid on these assets to the UK government or to third parties, and no other payments derived from the revenues or the expenses are paid from income and expenses.

(7) Description of material agreements between the partners in the assets:

Ithaca holds 100% of the interests in the asset.

(8) Resources and discounted cash flow data for the Marigold Reservoir

For details concerning the resources in the Marigold Reservoir as at December 31, 2023, see Section 14 of the NSAI Report. The NSAI consent letter to include the NSAI report in this report, including by way of reference, is attached as **Appendix B** to this report.

(o) **Negligible oil assets and assets in which production has ended**

(1) General

In addition to the aforesaid, Ithaca has interests in additional exploration licenses, which the Company considers negligible oil assets to its operations, all its assets and its business results. According to the aforesaid, below is a brief description of these assets.

(2) General details:

General details	
Name of oil asset:	**Negligible oil assets**: Suilven P.556 P.077 (Block 22/12a (Southern area))
Location:	Suilven and Other Exploration - in the Northern Atlantic Ocean, approx. 125 km northwest of the Shetland Islands;
Type of oil asset and description of permitted operations according to the type:	Exploration, development and production licenses for oil and gas resources issued by the UK government
Original grant date of the oil asset:	Suilven: P.556 – Jun. 14, 1985 Other Exploration P.077 – Nov. 25, 1965
Original expiry date of the oil asset:	Suilven: P.556 – unknown Other Exploration P.077 – Nov. 24, 1971
Dates of decisions regarding extension of the term of the oil asset:	Suilven: P.556 – unknown P.077 – unknown
Current expiry date of the oil asset:	Suilven: P.556 – Jun. 13, 2033 Other Exploration P.077 – unknown
Note whether there are additional options for extending the term of the oil asset; if such option exists - the term of the possible extension should be noted:	
Name of the operator:	• Ithaca Group is the operator of the Suilven asset; • • Apache North Sea Limited is the operator of License P.077
Names of the direct partners in the oil asset and their direct share in the oil asset and, to the best of the Company's knowledge, the names of the controlling shareholders in the partners:	Suilven P.556 Ithaca Group – 50% Shell U.K. Limited - 50% Other Exploration P.077

General details	
	Apache North Sea Limited[41] - 80% Rockrose UKCS4 Limited[42] - 10% Ithaca Group – 10%

(3) Actual and planned work schedule in all negligible assets

The table below includes a summary of the main operations actually performed in the Licenses area up until Reporting Date and a breakdown of the planned operations in the Licenses:

Period	Summary of actual operations in the period or of the planned work plan	Estimated total budget for operations on the level of the oil asset (in USD thousands)	Actual participation of the Company's equity holders in the budget (in USD thousands)
2021	• Studying data	Approx. 45	Approx. 40
2022	• Studying data	Approx. 8	Approx. 7
2023	• Not done		
2024	• Not planned		
2025 onwards	• Unknown		

Forward-looking information: The Company's estimate regarding the planned operations in the assets, including the costs, schedules, and actual performance, is forward-looking information as defined in the Securities Law, based on the Operator's assessments regarding the components of the work plan and their costs, which may change from time to time. Actual execution of the work schedule, including timetables and costs, may differ materially from the foregoing and is subject, among other things, to market conditions, applicable regulation, numerous external circumstances, technical requirements, technical capacities, and economic viability.

1.8.5 **Discontinued operation**

In the reporting year, Ithaca discontinued its operations (due to return or withdrawal from the license) in the following licenses: P.1820 license - Isabella reservoir; P.2554 license - Kessog reservoir; P.2503 license - Asagao reservoir P.2545 license - Shinoi reservoir, P.2517 - Thunderball reservoir; P.2584 license - Charlie reservoir, P.2585 license - Eldon reservoir, P.1830 license - Blackrock reservoir.

Subsequent to the reporting date, the Company discontinued its activities the following licenses: In January 2024, the Company discontinued its activity in Canada and returned the Block 7 – EL1147 license in Canada; in February 2024, Ithaca discontinued its activities in the P.2593 license.

1.8.6 **Products and services**

(a) As at Reporting Date, the Company's revenues in the Foreign Energy Segment are mainly from its subsidiary Ithaca, whose revenues are from the sale of oil, natural gas, condensate and other supplementary petroleum products.

41 To the best of the Company's knowledge, a wholly-owned privately held company (100%) of Apache Corporation, a privately-held company controlled by APA Corporation, a publicly-traded company listed on the NASDAQ, without a control core.

42 To the best of the Company’s knowledge, a wholly-owned private limited company (100%) of Rockrose Energy.

(b) The key nature of the Company's products are: (1) oil is a liquid material consisting essentially of a hydrocarbon compound and its density ranges from 9 degrees to 55 degrees API, indicating the relative density of liquid oil compared to water, and the color of the oil ranges from yellow to black; (2) natural gas is a compound containing mainly methane, and the difference between wet gas and dry gas is that dry gas does not contain liquid hydrocarbons, and methane accounts for almost all of its composition; (3) condensate is a natural product of the condensation process of various components in natural gas and is caused due to the pressure and temperature differences in the reservoir and those on the surface.

The distinction between heavy oil and medium and light oil is due to the density of crude oil and the typical amount of distillates that determine its classification as light or heavy. Heavy oil has heavier components, a higher density and higher boiling points than light oil, and heavy crude oil is usually needs a thinner added to the pipeline sections to facilitate its flow. Heavy crude oil products include asphalt, lubricants, waxes and fuel oil. Light crude oil produces large quantities of light fuels (distillates) and small amounts of residual. As noted above, Ithaca's oil and natural gas assets generate heavy oil from Captain, Alba and Mariner fields as well as light and medium oil from the rest of the on producing assets.

(c) For details concerning the operating segment, including trends and changes occurring in it, see Section 1.8.3 above.

1.8.7 **Customers**

(a) As at report approval date, Ithaca Group provides oil and natural gas to several large international marketing companies that operate, among others, on the UK Continental Shelf in the North Sea region, and which sell the products to the end consumers. The price of oil varies between the fields and is based on several components, including the density and consistency of the oil produced from each field, and payment is made on the basis of an estimated monthly production volume that Ithaca sends to the companies each month. The agreements for selling natural gas set a price calculation that is based on standard UK market prices, as published from time to time, with a discount on entry fees and additional discounts in some cases.

(b) Most of Ithaca’s revenue from the sale of oil and natural gas in 2021-2023 is due to offtake arrangements signed with companies from BP Group - BP Gas Marketing Limited (hereinafter - “**BPGM**”) and BP Oil International, signed for terms of between two and six years, and another agreement signed for a renewable period. Under these arrangements, Ithaca regularly supplies BP Group companies with significant quantities of the hydrocarbons produced from the Alba, Alder, Britannia, Brodgar, Callanish, Captain, Cook, Elgin-Franklin, Enochdu, Erskine, Harrier, Jade, Schiehallion and Stella fields. The arrangements with BP companies, which were in place in 2021, 2022 and 2023 - approx. 86%, approx. 77% and approx. 63% of Ithaca’s total revenues in these years, respectively; (2) in addition, Ithaca signed agreements with companies from the Eni Group (hereinafter - “**Eni**”), signed for periods ranging from one to two years. Under those agreements, Ithaca regularly supplies Eni with significant quantities of hydrocarbons produced from the Stella, Abigail, Jade, Vorlich and MonArb fields. The agreements with the Eni companies for 2021 and 2022 were for immaterial amounts, and in 2023 represented approx. 21% of Ithaca’s total revenues; (3) in addition, Ithaca entered into agreements with customers from the energy sector in the UK and Europe for the sale of hydrocarbons in insubstantial volumes.

(c) Under the Chevron Transaction, additional agreements were signed with BP Oil International and BPGM for the sale, purchase and/or marketing of natural gas and crude oil from the Acquired Assets. These agreements were signed for a term of 5 years from date of signature and also cover aspects related to the supply of oil recovered from Ithaca's producing assets via the Forties Pipeline network and the Forties reception terminal. Furthermore, the agreements cover aspects related to the supply of oil recovered from the Alba and Captain Fields via marine tankers, as well as for the supply of the bulk of the natural gas produced and processed, via onshore natural gas reception terminals in the UK.

It should be noted that due to sanctions imposed on companies with ties to Russia due to the war in the Ukraine area, on September 30, 2022, Ithaca terminated its engagement with Gazprom Marketing & Trading Limited (hereinafter - “**Gazprom**”) for the sale of natural gas from the Volrich field. Termination of the engagement with Gazprom does not materially affect Ithaca’s revenue or results.

Changes in the agreements with BPGM, or the inability to comply with their commitments towards Ithaca Group could have a material effect on the cash flows of Ithaca Group and of the Company.

The sales agreements between Ithaca and its customers do not include commitments to purchase or supply minimum or maximum volumes of the energy products produced from its reservoirs, therefore Ithaca has the discretion to decide the monthly volume it wishes to supply. Furthermore, and as aforesaid, Ithaca's agreements with its customers are based on payment for the estimated volume Ithaca will supply each month and are not based on its customers' utilization of the actual production output.

Ithaca's key customers, companies of the BP Group and companies of the Eni group are some of the largest energy companies in the UK market and as at report approval date, Ithaca's contractual relationship with them is stable and to the best of Ithaca's assessment it has the capacity to continue receiving the volumes of oil and gas produced from its oil assets.

For further details in this regard see Section 1.8.25(o) in the section on Ithaca's risk factors.

1.8.8 **Marketing and distribution**

The oil and natural gas produced from the Ithaca Group's on producing assets are supplied via a subsea pipeline to onshore reception terminals in the UK, and by supplying directly to the end consumers via shuttle tankers and to floating facilities, and all as described with regard to Ithaca Group assets in Section 1.8.4 above.

Some of the subsea pipeline and all of the shuttle tankers through which Ithaca Group supplies its products, as aforesaid, are owned and operated by third parties. Restrictions on the use of these transmission infrastructures, if any, could have an adverse effect of the production rate of oil and natural gas from the Ithaca Group assets.

1.8.9 **Order backlog**

As noted in Section 1.8.7 above, Ithaca's commercial agreements are based on payment for the estimated monthly volumes that Ithaca intends to supply to its customers every month. Therefore, Ithaca does not have significant end order backlogs.

1.8.10 **Competition**

As a rule, the oil and natural gas industry is highly competitive from all aspects. Ithaca Group competes with numerous players in oil and natural gas asset exploration and acquisition in the UK Continental Shelf, as well as in recruiting and retention of professional skilled work force. Ithaca's main competitors are companies with greater financial resources, human resources and facilities than those of Ithaca.

Competition is reflected, among other things, in the identification, speed of producing and marketing the oil and gas, and prices obtain for them, in competition on operation (equipment and quality of staff) and in financial terms. Many companies and private entities with vast experience and proven know-how, large-scale workforce and diverse financial means, operate in the oil and gas sector. Furthermore, competition in this operating segment is mainly over acquiring concessions from the State or Federal Government or private entities (as the case may be). In addition, the competition in the oil and natural gas for industry sector may be significantly affected by the applicable regulation in the energy industry in the regions where the oil and natural gas assets are located. The effect of regulation and regulatory changes can not be foreseen and therefore may affect oil and natural gas exploration, development, production and marketing costs. The oil and natural gas industry also competes against other producers of renewable energies, such as solar energy, water generated energy and wind energy. Oil is a global commodity and its price is dictated by world-wide supply and demand fluctuations. Natural gas is considered a commodity in the US (natural gas futures contracts are traded on the New York commodities exchange (NYMEX), the US Future Exchange (USFE) and the Multi Commodity Exchange (MCX), therefore competition with the other oil and/or gas producers is not expected to materially impact the Company's oil and/or gas sales.

1.8.11 **Seasonality**

Energy consumption in the winter months in the UK has increased, and thus also the demand for fuels used for heating. Moreover, in August every year there is usually an increase in demand for transportation fuels due to the increased civilian use of cars during this period. The effect of this seasonality is usually an increase in energy prices during these months, in general; nonetheless, energy prices are affected by numerous other factors in the global market, as set out in section 1.8.3 above. In addition, climatic conditions also affect demand for natural gas, therefore in the first and fourth quarters of each year, demand rises and as a result, the price of natural gas also rises. Maintenance that requires decreasing the output of facilities is usually planned for low-demand months. It should be noted that the climatic conditions in the UK, particularly during the winter months, may restrict or stop drilling and production operations for certain periods in the oil and natural gas assets. Furthermore, climate conditions are liable to affect demand for equipment, supply and human resources, thereby generating additional costs and delaying operations.

1.8.12 **Production capacity**

Based on the work plans that Ithaca drafted in 2023, it estimated that the average production rate from the on-production oil and gas assets in which Ithaca Group has interests would amount to 68,000 - 74,000 BOE per day. Ithaca met the forecasts in a way that the average production rate from on-production oil and gas assets in which Ithaca Group has interests was approx. 70,200 BOE per day in the reporting year.

Based on the work plans that Ithaca drafted at the beginning of 2024, it estimated that the average production rate from the on-production oil and gas assets in which Ithaca Group has interests would amount to 56,000 - 61,000 BOE per day (BBOE).

1.8.13 **Property, plant and equipment**

Part of Ithaca Group's assets are grouped into production hubs; the inherent advantage of production hubs is the use of one central infrastructure into which a number of fields close to the hub are tied, thereby scaling back development and production costs. The main production centers in which Ithaca Group has interests include the FPF-1 floating production facility that serves the GSA area, the Captain reservoir facilities that include two permanent rigs and a FPSO facility, the Glen Lyon FPSO that serves the Schiehallion reservoir, the Brittania Field infrastructures that serve all assets in the GBA Area; the Montrose Alpha platform and another separation facility on the Arbroath platform that serves the oil assets in the MonArb area. The other fields in which Ithaca Group has interests operate independently with dedicated infrastructure, or connected to other central infrastructure, all as specified in detail regarding Ithaca's oil assets in Section 1.8.4 above.

1.8.14 **Human resources**

(a) As of December 31, 2023 and as of the report approval date, the Ithaca Group employs 612 full-time employees (compared to 573 full-time employees as of December 31, 2022).

(b) Furthermore, Ithaca and the Group companies receive a range of services from independent subcontractors who provide professional and consultation services on a one-time or ongoing basis. As at Reporting Date, the Company does not employ a workforce for its operations in Gulf of Mexico and Canada, and at this stage makes use of various independent consultants, including professional geologists and experts, lawyers, and financial advisors, if such advisors are needed.

1.8.15 **Raw materials and suppliers**

For each project or field in which the Company has interests in oil and gas assets, directly or indirectly, an operator is appointed for the project. The operator contracts with professional contractors, which have the relevant equipment, for each field or project, accordingly. Any increase or decrease in crude oil prices usually affects the availability of contractors and required equipment, as well as their costs. It should be noted that in the Captain field, in which Ithaca applies the EOR production method, Ithaca is dependent on a limited number of polymer suppliers. Inability of these suppliers to supply the polymers may affect the production capacity or quality of the petroleum produced from the field. Ithaca serves as operator (through subsidiaries) of seven producing oil and gas fields to which it has interests, three fields at the development stage and two licenses at the exploration stage; as such Ithaca is responsible for contracting with the service contractors and suppliers of materials and equipment required for carrying out the exploration, development and production operations in these fields. As the Operator in its key assets, Ithaca is able to effectively manage the timing and cost of its various investments in the assets. Such management enables Ithaca the control and flexibility to plan future investment.

1.8.16 **Working capital**

Ithaca's working capital is composed, in terms of assets, primarily of cash balances, various receivable balances, and accounts and trade receivables from transactions, and in terms of liabilities, primarily from credit balances from joint ventures.

As at December 31, 2023, Ithaca has a deficit equity of approx. USD 211 million.

In light of the above, based on the sources described above, Ithaca believes it will continue to meet the financial covenants in the foreseeable future, and based on the Company's plans and the alternatives available to it, the Company has adequate sources that will enable it to meet its liabilities in the foreseeable future.

1.8.17 **Financing**

(a) Ithaca funds its operations through own capital (operating cash flows), reserve based lending facilities (RBL), additional credit facilities, debentures and loans.

(b) RBL Facility

In July 2021 Ithaca finalized an agreement with a consortium of international banks for the provision of an RBL facility in the amount of USD 725 million as of December 31, 2023, repayable by 2026. It should be noted that as at December 31, 2023, Ithaca did not draw loans from the above facility. As at the report approval date, the balance of the RBL Facility available to Ithaca is USD 836 million.

The facility was provided for a term of approx. 5 years. Most of the RBL Facility bears annual interest of SOFR + 3.5% in the first four years and 3.75% in the fifth year. A facility of up to approx. USD 300 million out of the overall amount shall be used by Ithaca to provide collaterals (LCs) in relation to liabilities in connection with the decommissioning of its oil assets. The unutilized facility can only be utilized if certain conditions are fulfilled, based mainly on the expected production rate and forecast prices of oil and gas.

(1) To secure the RBL Facility, Ithaca placed first ranking charges in favor of the lenders on the shares of the subsidiaries that directly hold interests in oil assets. In addition, Ithaca created floating and fixed liens on the assets of the subsidiaries, as is standard practice in this type of transaction.

(2) The terms of the RBL Facility provide a number of restrictions that if breached will serve as grounds for immediate repayment, as is customary for such loans, and including:

A. Additional borrowing - the RBL Facility includes a restriction on additional borrowing other than certain types of credit that are classified as permitted under the terms of the Facility;

B. Sale and purchase of assets - Ithaca and the Ithaca Group companies may not sell the assets with regard to their underlying reserves the RBL Facility was granted. Ithaca may also not purchase new assets, other than in circumstances under which such purchase is included in the projected cash flows and according to the projected cash flows the expected amount of sources exceed the expected amount of uses, and without such purchase of assets causing a digression.

C. Liens and guarantees - Ithaca is not permitted to create liens on its assets, provide guarantees or provide loans unless in certain exceptional cases stipulated in the RBL Facility.

(3) Restrictions on distribution or payment of dividends, such that a distribution may be made if the following terms and conditions are met at the distribution date:

A. All payments that Ithaca undertook under the terms of the RBL Facility were paid in full.

B. Ithaca's cash flow does not indicate the absence of financing capacity to support its operations and there is no deviation in the amount of the permitted loans.

C. The distribution is only permitted from the earlier of the following: (1) production of first crude oil from the EOR 2 plan in the Captain field (2) the elapse of two years from the effective date of the RBL Facility, provided that Ithaca has a surplus liquidity margin as set out in the terms and conditions of the RBL Facility. If Ithaca lists on the London Stock Exchange (or on other stock exchanges that were defined) at least 25% of the issued share capital of the subsidiary, the provisions of subsections (1) and (2) above will no longer apply.

As at the report approval date, Ithaca complies with the terms of the restriction, and on March 21, 2024, subsequent to the balance sheet date, Ithaca declared a dividend distribution of USD 134 million (100%); the Company' share was USD 119 million. The record date for distribution is April 2, 2024, and the distribution will be made on April 17, 2024. For further details, see Note 9A to the Financial Statements.

(4) Under the terms of the RBL Facility, Ithaca undertook maintain the financial and operational covenants, as follows:

A. The net debt to EBITDAX ratio[43] in the relevant period will be less than 1:3.5 which is tested upon the delivery of the financial statements of Ithaca;

B. The total sources should exceed the total uses up to the repayment date. Compliance with this covenant is tested according to the liquidity test every six months. In addition, the liquidity test is also performed in the event of the acquisition of a new asset or in the event that Ithaca intends to distribute a dividend;

C. The ratio between the net present value of the guaranteed cash flows under the RBL Facility for the life of the projects and the amount drawn under the RBL Facility will not fall below 1:1.15;

D. The ratio between the net present value of guaranteed cash flows under the RBL Facility over the RBL Facility's life, and the amount withdrawn from the RBL Facility will not fall below 1:1.05.

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

As at December 31, 2023, and at the report approval date, Ithaca is in compliance with the financial covenants and operating covenants set out above.

(5) Debenture issuance

A. In July 2021, Ithaca completed an issue of debentures amounting to approx. USD 625 million. Under the terms of the issue, the principal of the debentures will be repaid within 5 years and the annual interest rate set in the tender is 9% (paid every six months). The debentures will constitute a senior debt of the issuer and will be guaranteed by Ithaca and its subsidiaries.

B. Some of Ithaca Group companies serve as guarantee for the Group's liabilities in the debentures. Under the terms of the debentures, insolvency of any of the guarantors will be grounds for calling for immediate repayment of the outstanding debt.

C. The terms of the debentures provide a number of restrictions that if breached will serve as grounds for immediate repayment, as is customary for such loans, and including:

1. Additional borrowing - Ithaca and Ithaca Group companies may not take additional borrowing, beyond the maximum, other than the types of credit classified as permitted in the terms of the debentures;
2. Sale and purchase of assets - the ability of Ithaca and the Ithaca Group companies to sell their assets is restricted to a threshold defined in the terms of the debentures;
3. The terms and conditions of the debentures include limitations on payments constituting distributions or dividends.

As at December 31, 2023 and the report approval date, Ithaca is in compliance with all the restrictions and terms set out in the debentures.

(6) BP credit facility

In July 2023, Ithaca and BP Oil International Limited signed an agreement for the provision of a credit facility of USD 100 million for a five-year term. The said credit facility bears annual interest of SOFR + a 2.63% margin. As at December 31, 2023 and as at the report approval date, the credit facility was withdrawn in full. The terms and conditions of the credit facility include a number of restrictions, the breach of which will serve as grounds to call for immediate repayment of the debt, as is standard in loans of this type, including restrictions on taking additional credit, except for types of credit that were set in the agreement.

[43] Earnings Before Interest, Taxes, Depreciation, Depletion, Amortization, and Exploration expenses

(7) Hedging transactions

As part of Ithaca's risk management strategy it carries out, from time to time, hedging transactions on oil and natural gas prices, and disposes of such transactions. For further details, see Section 17 to the Resources Report.

1.8.18 **Liens**

Other than the liens pledged to secure the RBL Facility, as described in Section 2.8.1(a) above, Ithaca did not create any additional charges on its assets. For details concerning the charges provided with regard to loans that Ithaca's parent companies received, see Section 1.13 of this report.

1.8.19 **Taxation**

(a) Ithaca's oil and gas exploration operations are subject to specific tax arrangements in the UK, including Ring Fence Corporation Tax of 30% (hereinafter ' "**RFCT**"), a supplementary charge of 10% (hereinafter - "**SCT**") and Petroleum Revenue Tax in applicable cases, which as from January 1, 2016 was set at 0%. As at December 31, 2022, Ithaca has tax loss carryforwards amounting to approx. USD 5.1 billion, deductible from corporate tax at a rate of 30%, applicable to Ithaca (RFCT), and approx. USD 4.3 billion deductible from a supplementary tax at a rate of 10% applicable to Ithaca (SCT); based on the current commodity prices, it is expected that the cumulative losses will prevent a tax liability for Ithaca Group in the medium term. Furthermore, on July 14, 2022, legislation was completed imposing on companies operating in the oil and gas sector in the UK Continental Shelf, a supplementary charge of 25% of their profit (in addition to the tax in respect of RFCT and SCT of 40%), for a limited period from May 26, 2022 to December 31, 2025 or earlier if the energy prices in the UK return to past normal levels (as defined in the UK government's announcement (hereinafter - the "**Energy Profit Levy**" or "**EPL**"). EPL is charged in respect of the profits of oil and gas companies operating in the UK according to the principles applicable to RFCT; however, respect of the EPL, decommissioning and financing losses cannot be offset. On November 17, 2022, an announcement was made and during Dec. 2022 the legislation was completed that as from January 1, 2023, the EPL rate will increase to 35% and the period will be extended until March 31, 2028, irrespective of the decrease in energy prices. Subsequent to the reporting date, on March 6, 2024, an announcement was made that the output will be extended until March 31, 2029, irrespective of the decrease in energy prices. As of the publication date of the Report, the legislation for extending the period as described above has not yet been completed. for further details see Note 28A2 to the Financial Statements.

1.8.20 **Environmental risks and management thereof**

Drilling operations and oil and gas production involve various environmental risks, inter alia, as a result of gushing and/or spills and/or leaking of oil and/or natural gas, that may occur due to malfunction of equipment and/or work procedures and/or unexpected events. The severity of the risks varies for each incident and therefore the method for handling and treating them also varies. The main provisions of the environmental laws applicable to the Company in the Foreign Energy Segment are set out below:

(1) UK

The Ithaca Group is subject to the provisions of laws, regulations and permits issued by the competent authorities in the sector of its operations, relating to environmental protection. British law fixed limits and restrictions regarding discharge or emission of substances into the environment and regulates methods for supervising storage and transportation of the substances produced or used in the oil industry. In addition, legislation requires drilling sites and facilities to be decommissioned in a manner that the supervisory authorities deem satisfactory. It should be noted that, the environmental assessments of the projects involve increased liability of the companies and their officers and employees. Violation of legislative provisions could lead to suspension or cancellation of the licenses and permits required for Ithaca's operations in the field, as well as imposition of personal liability and company liability for any pollution damages and imposition of fines and sanctions against the Company and its officers. Furthermore, compliance with the legislative provisions involve substantial costs. Environmental legislation and policy is subject to frequent changes, which creates uncertainty as to the nature of future changes that could aggravate existing standards and result in significant additional costs.

1.8.21 **Restrictions on and supervision of the Company's Foreign Energy Segment**

(a) Regulatory compliance in the UK

The competent entity authorized to grant oil and gas licenses in the UK North Sea is the UK North Sea Transition Authority (hereinafter - "**NSTA**", formerly the OGA).

Exploration and production licenses are issued by the NSTA through tenders conducted periodically. In exceptional cases, a license is issued outside the periodic rounds, when the urgency of the issuance can be explained, e.g., immediate availability of a drilling rig, lack of interest in a license. Licenses are issued to individual companies or several companies jointly. Companies seeking to participate in exploration and production in the UK file application for a license in a license allocation round or acquire interests in existing licenses, subject to the NSTA's approval. Each application is reviewed on the basis of a work program submitted by the license applicant. The licensee also bears the annual maintenance costs based on the area and nature of the license, as well as the annual tax imposed on licensees, which is the basis for the NSTA budget. As the supervising regulator in the sector, the NSTA sets restrictive provisions regarding actions that may and must be taken by the licensee within a period defined in each license. The NSTA has the authority to revise the terms, extend dates and in certain cases in which the licensee deviates from the defined terms, even cancel it. The NSTA grants onshore production licenses (a sector in which Ithaca does not operate). and various types of offshore licenses, the main distinction being between seaward exploration licenses and seaward production licenses:

Exploration license (Seaward exploration license) - usually intended for seismic surveyors which conduct surveys for the purpose of later sale of the fields to oil and gas producers. A seaward exploration license is usually granted in an area that is not covered by a production license. These licenses are non-exclusive, such that various parties may receive an exploration license in respect of the same area. These licenses are generally distributed for an initial term of three years that can be extended for further three-year terms.

Offshore production license (Seaward production license) - awarded for oil and gas fields for the duration of the useful life of the asset (exploration, development and production). The seaward production licenses are granted to a licensee (licensees) exclusively. These licenses allow the licensee to explore, develop and produce petroleum resources in a specific area set in the license in the UK continental shelf, for a predefined term. Separate approval is required before drilling or production operations. Until the 29th licensing round that took place in 2016, various types of seaward production licenses were granted (traditional license, frontier license and promote license), that have similar characteristics as follows:

Licenses are issued for predefined terms and automatically expire at the end of the term, unless sufficient progress has been made for granting an extension. The Oil and Gas Authority does not usually automatically halt operations once a license has expired. In such cases, the issued license is usually extended for a limited period, as needed, to allow the required work to be completed.

From the 29th round (a round that closed in October 2019), it was determined that the seaward production licenses will be innovate licenses. From that date, innovate licenses are granted, which are divided into three terms as set out below; advancing between the terms is subject to completion of a binding work program and the approval of the NSTA:

(1) Initial term - exploration phase (similar to the division in the previous classification) - divided into three sub-phases: Phase A - in which geotechnical and geophysical information is usually collected, and data processing is carried; Phase B - in which seismic surveys are conducted and supplementary geophysical data is acquired; and Phase C - in which drilling is performed. Phases A and B are optional and depend on the status of the license when granted. Advancing between the phases is subject to completion of the work program approved for each phase, and the approval of the NSTA. The initial term is for a variable period of usually between to nine years.

(2) Second term - appraisal and development phase - in which appraisal and supplementary drillings are performed, a development program is approved for the asset, and after approval by the NSTA, the licensees complete the development of the asset. This term usually lasts between four and six years. The license will expire at the end of this term unless the licensee has submitted a development program that is approved by the NSTA.

(3) Third term - production phase - the production term usually lasts 18 years; however, the NSTA may at its discretion extend the term if the asset is producing when the license expires.

1.8.22 **Material Agreements**

(a) For details concerning the Chevron Transaction, under which 100% of IOGL's shares were acquired by a subsidiary of Ithaca, see Section 1.8.1(c) above.

(b) For information about the Marubeni transaction for the acquisition of 100% of the shares of Marubeni Oil and Gas (U.K.) Limited by a subsidiary of Ithaca, see Section 1.8.1(e) above.

(c) For information about the Summit transaction for the purchase of 100% of the shares of Summit Exploration and Production Limited by a subsidiary of Ithaca, see Section 1.8.1(f) above.

(d) For information about the Siccar Point transaction for the purchase of 100% of the shares of Siccar Point Energy (Holdings) Limited by a subsidiary of Ithaca, see Section 1.8.1(g) above.

(e) For details concerning the Spirit Transaction, under which interests in the Fotla Discovery and three exploration licenses were acquired by a subsidiary of Ithaca, see Section 1.8.1(i) above.

(f) For details concerning the Shell Transaction, under which interests in the Cambo reservoir were acquired by a subsidiary of Ithaca, see Section 1.8.1(j) above.

(g) For details about agreements with BP Group companies and Eni Group companies, see Section 1.8.8(b) above.

1.8.23 **Legal proceedings**

(a) On May 26, 2015, a class action lawsuit was filed against Ithaca at the High Court of Justice in Alberta, Canada, by an investor who alleges that Ithaca published information that constitutes a false representation, regarding the expected timetable for completion of the installation of the Floating Production Facility ("FPF-1) in the GSA Project. According to Ithaca, the claims of the lead plaintiff have no merits. On March 7, 2019, the petition raising the argument concerning the existence of a secondary market of investors, as defined in the Securities Law of Alberta, and the clarification that this argument establishes cause for class action, was heard. On February 24, 2019, the petition was approved and later, it was certified as a class action. Nonetheless, the court found that the lead plaintiff failed to provide prima facie evidence regarding certain parts of the claim, thus the cause for class action was limited to events that occurred between October 7, 2014 and February 25, 2015. In December 2019, Ithaca filed the statements of claim of Ithaca and the CEO, and the parties agreed on a discovery protocol. In accordance with proceedings that are customary in Alberta, a mediation proceeding was set in respect of the case for October 2024, and Ithaca does not expect that decisions will be made regarding this matter by 2025.

Ithaca has insurance cover for this claim and the Company believes that the insurance cover is sufficient to cover its liability, if the claim is accepted. At this stage, Ithaca believes, based on the opinion of its legal counsel, that it is not possible to estimate the odds of the claim and the financial exposure arising from the claim, and therefore Ithaca did not include a provision for this claim in its books of accounts.

(b) On December 18, 2023, British environmental activists announced that they intend to submit a petition to the court in Edinburgh against the approval granted by NSTA for the development plan of the Rosebank reservoir. For details about the reservoir, see Section 1.8.4(K) above.

Forward-looking Information - The information set out above with regard to Ithaca's assessment about exercising the insurance coverage for the class action and the scope thereof constitutes forward-looking information as defined in Section 32A of the Securities Law, for which there is no certainty that it will materialize, in whole or in part, in the foregoing manner or in any other manner, and which may materialize in a materially different manner than that described above, and this due to various factors that are not in the Company's or Ithaca's control.

1.8.24 **Business strategy and goals**

(a) For details regarding the Company's goals and strategy for the Foreign Energy Segment, see Section 1.19 of the Report.

(b) Ithaca's strategy is to create long-term value by building a profitable oil and gas company in the UK Continental Shelf with focus on the following key activities:

(1) Maximization of cash flow and output from the existing asset base;

(2) Achieving long-term, low-risk growth of the operations, through assessment and development of undeveloped discoveries;

(3) Further growth, increasing existing reserves and diversifying the cash flow base by acquiring new assets for production, development and evaluation through focused acquisitions and participation in licensing cycles;

(4) Making low-cost acquisitions of licenses and discoveries in the vicinity of Ithaca's producing assets in order to expand Ithaca's production without significant infrastructure developments.

(c) To exercise its strategy, Ithaca works and strives to take a key role in providing energy security to the UK and Europe, by the development of discoveries in which it has interests and expansion of the production of its existing assets.

It is hereby clarified that, achieving the foregoing goals and strategy is dependent on various external factors that could prevent their achievement, or lead to changes in them.

1.8.25 **<u>Risk factors</u>**

In addition to the risk factors to which the Group is exposed in the Energy in Israel segment, many of which also apply to its energy operations abroad, the Company's operations in the Foreign Energy Segment (for details, see Section 1.7.30 above) is also exposed to the following additional risk factors:

(a) <u>Fluctuations in the exchange rates</u>

Ithaca's operations are subject to exchange rate fluctuations. Ithaca's expenses are primarily incurred in GBP while most of its agreements for the acquisition of assets as well as its oil sales agreements are denominated in USD or EUR. Such fluctuations may affect Ithaca's cash flows. Consequently, Ithaca engaged in agreements to hedge this risk, to minimize the risk of currency rate fluctuations. Nonetheless, there is no certainty that these actions can prevent impairment of Ithaca's cash flows due to the severe volatility of the exchange rates, mainly due to the current economic environment with extreme volatility in financial markets, as set out in Section 1.8.3 (c) above.

(b) <u>Oil and gas prices</u>

Global oil and gas prices, which are determined by supply and demand and by economic and political parameters, are volatile and changes in them may affect the results of the international energy sector. A decline in global oil and gas prices could affect Ithaca's current cash flow or the value of assets and economic viability of international energy projects. This may also lead to a change in investment decisions and decisions to develop new fields. All these parameters may lead to a decrease in the Group's production volume abroad. A significant decline in oil and gas prices compared to the average prices in recent years could limit or reduce Ithaca's ability to obtain financing. For example, Ithaca carries out hedging transactions for oil and gas prices, but if the price of oil and gas rises above the scope of its derivatives, Ithaca will not be entitled to benefit from the proceeds.

(c) <u>Difficulties in executing reservoir development projects</u>

Ithaca has several projects that are not yet producing and are in various stages of development, including the Cambo and Rosebank reservoirs. Development operations in these projects are subject, among other things, to regulatory approvals and cooperation with third parties. Negative public sentiment against the oil and gas industry may have an adverse effect on procedures for issuing the regulatory approvals required for Ithaca's projects. Ithaca is unable to guarantee that the regulatory approvals for the projects will be obtained, and it is possible that it may be unable to obtain these approvals or that it will be unable to accept the terms that will be set out in the approvals.

(d) <u>Difficulties in obtaining the required funding</u>

Financing for petroleum exploration, development and production operations involves obtaining substantial funds from financing entities and other third parties. At times of financial crisis or economic slowdown there is a shortage of funding sources, and the financing institutions toughen the conditions for providing the required funds. In such cases, the Company's Foreign Energy Segment may encounter difficulty in obtaining the required financing for these operations at favorable terms, if at all.

(e) <u>Competition</u>

The oil and gas sector in the UK is more competitive. Competition is reflected, among other things, in the identification, speed of producing and marketing the oil and gas, and prices obtain for them, in competition on operation (equipment and quality of staff) and in financial terms. Many companies and private entities with vast experience and proven know-how, large-scale workforce and diverse financial means, operate in the oil and gas sector.

(f) Dependence on weather and sea conditions

Ithaca's assets and facilities located in the UK Continental Shelf are subject to damage and hazards due to extreme weather or tidal conditions typical of these regions, particularly in the winter months. Moreover, installation and maintenance of subsea facilities in the North Sea could be extremely challenging in winter. The typical extreme weather conditions in the North Sea could cause unexpected delays and additional costs in Ithaca's operations.

(g) Dependence on processing and transportation infrastructures for marketing oil and gas

In the event of a commercial discovery, Ithaca's ability to market oil and gas from its oil assets may depend on the availability, proximity and capacity of oil and gas pipelines and other existing oil and gas collection and processing facilities owned by third parties and beyond Ithaca's control.

(h) Reliance on key personnel

Ithaca's development and realization of its future potential are dependent upon the continued services and performance of its executive officers and key personnel. The loss of the services of any of the senior officers or key personnel may have an adverse impact on Ithaca. Generally, there is significant demand for management and employees skilled in the areas of the development, production and acquisition of oil and gas reserves. This demand is amplified in the UK North Sea region, which is rich in oil and gas assets, and it is possible that Ithaca may not be able to recruit or retain qualified individuals, or its key personnel.

(i) Leases in licenses

Ithaca's operations are subject to relevant licenses from the UK government authorities, and Ithaca is required to comply with the terms and conditions of the licenses to maintain their validity and the possibility of receiving an extension when the licenses expire. The regulator in the UK may revoke a license in the event of a breach of the commitments made by the license holder when obtaining or extending the license. The licenses are valid for defined terms and expire automatically at the end of the term, therefore there is no assurance that the licenses will be renewed for a further term or that new licenses will be granted instead of the expired licenses.

(j) Compliance with UK regulation for Ithaca's operations

Ithaca's operations in the North Sea are subject to UK regulation in various issues, such as granting licenses for oil and gas assets for exploration, development, and production, environmental protection and control of pollution, safety for onshore and offshore operations, laws and regulations for prevention of corruption, competition, and antitrust, prevention of money laundering, export-import restrictions, environmental quality, taxation, decommissioning of facilities and wells, and the possibility of expropriation or cancellation of interests, currency restrictions, changes in the fiscal regime, mandatory payments to the state and more (for further information see Section 1.8.21 above). Regulatory changes and the establishment of new regulatory provisions and limitations may have a material negative effect on Ithaca's operations and impair the Company's revenues or result in criminal or civil sanctions or fines that may be significant.

(k) Jurisdiction in a foreign country

In the event of a dispute arising in connection with its operations, Ithaca may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. Consequently, the Company's foreign exploration, development and production activities could be substantially affected.

(l) Summary of producing oil assets in a single area

All of Ithaca's producing assets are on the UK Continental Shelf, therefore Ithaca is exposed to regional risks such as fiscal and regulatory changes that may take place in the UK, changes in supply and demand in the UK, risks of technical failures in the transmission facilities that serve as a basis for the Group's operations in this area, and climate risks in the operating area where all the producing assets are concentrated. For further details about legislative amendments in the UK regarding the limited levy, see Section 1.8.19 above, and for further details about the effect of the war in Ukraine on supply and demand of energy products in Europe, see Section 1.8.3(d) above.

(m) Complexity of development of discoveries and oil assets

Development of new discoveries in the operating segment is complex, subject to a great deal of regulation, engineering complexity and risks. In addition, the development operations involve a high risk due to the uncertainty as to whether the investment will generate profits. Ithaca has interests in a significant part of the non-developed discoveries on the UK Continental Shelf, including the Cambo and Rosebank reservoirs. Development of Ithaca's oil assets in the North Sea, mainly the Cambo, Rosebank, Marigold reservoirs and further EOR production in the Captain reservoir may encounter difficulties, including failure to meet deadlines, exceeding budgets and may not even occur at all. To develop these assets, Ithaca is dependent, among other things, on its project partners, the regulators, suppliers, and the drilling results. In addition, the development process may continue for extended periods, requiring Ithaca to invest significant sums. However, even if Ithaca invests these amounts, it is still uncertain whether these investments will result in commercial production of the reservoirs.

(n) Effect of the war between Russia and Ukraine

In February 2022, Russia launched a military offensive against Ukraine. The effect of the War in Ukraine led, among other things, and may continue to lead to sharp changes in the energy sector in Europe, including sharp fluctuations in the oil and natural gas prices. Ithaca's businesses and financial results depend to a large extent on the natural gas and oil prices, as set out above. The continuation and scope of the War in Ukraine, the resulting sanctions imposed, and the disruptions in the supply of energy due to the war, may have a material effect on global economy, the prices of oil and gas, and the willingness of partners and commercial entities to invest in the development of oil and gas assets in the operating segment.

(o) Dependence on a number of major customers

Ithaca is dependent on a number of major customers, and any change in the relationship with them, or their inability to meet their obligations to Ithaca may have a negative effect on Ithaca's financial results. The inability of Ithaca's major customers to fulfill their obligations and insolvency or liquidation of these customers is expected to impair the Company's financial results.

(p) Dependence on infrastructure owned by third parties

Almost all of the Group's production is transported through infrastructure owned and controlled by third parties, including tankers, subsea pipelines, terminals, and other transmission infrastructure, over which Ithaca has no control. In the event of a breakdown, explosion, weather conditions, act of terrorism, labor dispute, or any other factor that disrupts the operation of the infrastructure systems or results in a shutdown, Ithaca's ability to transport the oil and gas to their destination may be impaired, which could impair the Company's financial results.

(q) Repair and renewal of equipment

Ithaca performs ongoing maintenance to ensure continuous production and supply, and for this purpose invests significant resources in maintaining the assets and equipment required for this operation. There is no assurance that the investments required to maintain the integrity of the assets and equipment will not exceed the amounts budgeted by Ithaca for this purpose from time to time. Some of Ithaca's oil assets are in a relatively late stage of reservoir life (such as the Alba field), and accordingly, some of the equipment used in these assets is relatively outdated and it may be difficult to obtain spare parts for this equipment, if and when required, which may impair the Ithaca's results of operations.

The table below presents a summary of risk factors by type (macroeconomics risks, industry-specific risks and risks specific to companies operating in the Foreign Energy Segment), according to the estimates of the Company based on the degree of their effect on the Company: major, moderate or minor effect:

Effect of the risk factor on Group's business in the Foreign Energy Segment			
	Major	Moderate	Minor
Macroeconomic risks			
Fluctuations in the exchange rates			X
Oil and gas prices	X		
Difficulties in executing reservoir development projects	X		
Difficulties in obtaining the required funding	X		
Industry-specific risks			
Competition		X	
Dependence on weather and sea conditions			X
Dependence on processing and transportation infrastructures for marketing oil and gas		X	
Specific risks in the Foreign Energy Segment			
Reliance on key personnel		X	
Interests in licenses		X	
Compliance with UK regulation for Ithaca's operations	X		
Jurisdiction in a foreign country	X		
Summary of producing oil assets in a single area	X		
Complexity of development of discoveries and oil assets		X	
Effect of the war between Russia and Ukraine		X	
Dependence on a number of major customers		X	
Dependence on infrastructure owned by third parties		X	
Repair and renewal of equipment		X	

The impact of these risk factors on Company's operations is based on assessments alone and may actually be different.

1.9 **Additional Activities**

In addition to the Group's above areas of activity, it also has other non-material operations through its holdings in Delek Israel and Delek Properties, and since August 2023, through its holdings in Mehadrin, all as follows.

1.9.1 **Activity in the fuel sector in Israel**

The Group has activities that are immaterial in the fuel sector in Israel. Accordingly, below is a summary of the Group's activity in the sector.

The Group operates in the fuel products segment in Israel through Delek Israel and through Delek Properties and companies that they own. As at the report approval date, the Company holds (through Delek Petroleum) 24.75% of Delek Israel's issued and paid up share capital,[1] when the remaining Delek Israel shares are jointly held by Lahav LR Real Estate Ltd. (hereinafter - "**Lahav**") jointly with BGM Ltd. (hereinafter - "**BGM**") and N.N.D.M Investment Consulting and Management Ltd. and with Mr. Yoram Eyal (the Company's CEO). Delek Israel and companies that it owns will be referred together hereinafter in this Section 1.9 as "**Delek Israel**".

In addition, as of the report approval date, the Company owns (through Delek Petroleum) 24.18% of the issued and paid-up share capital of Delek Properties, with the remaining shares of Delek Properties being held by Lahav together with B.G.M. and N.D.M Consulting, Management and Investments Ltd. jointly, as well as by Ragnar 1 Investments Limited Partnership (owned by the partners of the Alpha Hedge Funds Group).

In May 2023, Delek Properties conducted an IPO of NIS 418,215,000 p.v. Debentures (Series A) on the Tel Aviv Stock Exchange Ltd. Following completion of the IPO, Delek Properties became a debenture company, as defined in the Companies Law, and a reporting company, as defined in the Securities Law.

A. Delek Israel

Delek Israel engages in two main segments: (1) The retail segment: sale of fuels products at public gas stations (including those operated by third parties) and operation of convenience stores located at most of these gas stations; development, operation and maintenance of public gas stations and convenience stores, and also in production, sale, direct marketing and wholesale marketing of coffee products labeled "Joe". Furthermore, in the second half of 2022, Delek Israel acquired 70% of the shares of Burger King Israel (B.K.I. 2014) Ltd. (hereinafter - "**Burger King**"), thereby becoming the controlling shareholder of Burger King; in the last

[1] Until October 25, 2020, the Company held 100% of Delek Israel's issued and paid-up share capital. On October 26, 2020, the transaction for the sale of 70% of Delek Israel's issued and paid up share capital, fully diluted, was completed (when it was prescribed that 10% thereof was held in trust), in return for NIS 525 million, to Lahav and BGM (hereinafter - the "**Acquirers**"); part of the proceeds are a deferred consideration and the Acquirers were given the option to purchase another 5% of Delek Israel shares. Payment of the deferred consideration and the exercise of the option were completed in February-June 2021. For further details, see the immediate reports issued by the Company on October 18, 2020 (Ref. No.: 2020-01-113067), October 26, 2020, (Ref. No.: 2020-01-116238), February 15, 2021, (Ref. No.: 2021-01-018478), March 25, 2021, (Ref. No.: 2021-01-045036), and June 23, 2021, (Ref. No.: 2021-01-105672), the information appearing in said reports are noted herein by way of reference.

quarter of 2023, Delek Israel also became the joint controlling shareholder (together with the German company Eventim) of Zappa operations; and (2) The wholesale segment - direct marketing and distribution of oil and gas products directly to end users and various distributors, including institutional, industrial and private customers.

In 2023, Delek Israel distributed dividends to its shareholders totaling NIS 50 million, with the Company's share was NIS 12.5 million.

Impact of the Iron Swords War on Delek Israel's operations

The War has had a material effect on Delek Israel's operations. In the initial weeks of the War, there was a significant drop in fuel quantities, but recently there is clearly a trend of recovery and stabilization, and apparently, from an overall annual perspective, the harm is immaterial. Delek Israel is tracking the effects of the War daily by analyses and reports to ensure proper and continuous operation.

As at the reporting date, it is impossible to predict the duration of the War and its effect on the Israeli economy as a whole; since it is a dynamic event characterized by a great deal of uncertainty, the extent of the War's effect on Delek Israel's future operations and results is unknown.

General

In Israel's fuel industry, there are infrastructure companies providing infrastructure services such as offloading, storage, supply and transmission of fuel, and fuel companies involved in marketing, distribution and sale of fuel products and lubricants at the Gas Station and Commercial Compounds, and the development, establishment and operation of gas stations and convenience stores. The four main gas companies, Paz Oil Company Ltd. (hereinafter - "**Paz**"), Delek Israel, Sonol Israel Ltd. (hereinafter - "**Sonol**") and Dor Alon Energy in Israel (1988) Ltd. (hereinafter - "**Dor Alon**"), jointly own 943 public gas stations in Israel. Other fuel companies together own approx. 323 public gas stations.[2] Delek Israel's operations include the sale of fuels and LPG at public gas stations (including marketing them at gas stations operated by third parties) and operating the gas stations, including refueling services using automatic refueling devices (hereinafter - "**Dalkan**") and selling oils and other products at public gas stations. Delek Israel also develops, establishes and operates gas stations and convenience stores. In some of the sites, Delek Israel leases areas to third parties for commercial purposes. In addition, in the wholesale market, Delek Israel markets, distributes, and supplies fuel products outside the public gas stations, directly to the customers' sites, which are not open to the general public, and in the household LPG segment.

As at the report date, Delek Israel marketed fuel products to approx. 241 public gas stations nationwide. Out of these gas stations, 173 are operated by Delek Israel and approx. 206 included convenience stores.

---

[2] Based on Ministry of Energy information dated January 8, 2024.

Customers

Delek Israel's customers can be classified into two main groups: (a) In the retail sector: private customers that purchase fuel products, oils or retail products at the gas stations and convenience stores operated by Delek Israel, business customers, including fleets that subscribe to the Dalkan service, and tender customers (that are among the Dalkan customers). (b) in the wholesale sector: household customers and small businesses - Delek Israel supplies these customers with oil distillates, for LPG appliances, and in particular, LPG for heating, heating water, and cooking, gas stations associated with Delek Israel under operating contracts with Delek Israel and supply contracts for the purchase of fuel and oil products, as well as airlines receiving refueling services in Ben Gurion airport. These customers differ from the private consumers mainly in the credit terms (which are longer) and discounts which they receive.

Competition

The fuel sector in Israel is characterized by fierce competition in of Delek Israel's operating sectors. According to data published by the authorities, there are dozens of registered fuel companies in Israel that are licensed to import fuel products or purchase them directly from the refineries in Israel. In the retail business, four of the active companies (including Delek Israel) hold the major share of the Israeli market.

Delek Israel addresses the competition mainly through: professional and experienced management, with deep and long-standing familiarity with the areas of activity, providing Delek Israel with added value compared to its competitors; wide geographic distribution of filling sites and updating the range of services provided in the filling sites; financial robustness and professional marketing, operations, service, maintenance, and logistics systems with high control and monitoring capabilities; operation of a credit control system allowing favorable credit terms, as a marketing tool; and constant assessment of options for introducing new products, and providing available and accessible customer service to Delek Israel's customers.

Risk factors

Other than the risk factors to which the Group is exposed, as set out in Section 1.21 below, the Group's operations in the Fuel Products in Israel segment are exposed to other risks, including: establishment of additional gas stations, fuel taxation, change in requirements for inventory, dependence on infrastructure facilities, change in government supervision regarding the marketing margin, development of alternative energy sources, dependence on refineries, application of the EMV standard, and the effect of the ownership structure on gas stations in Israel. The impact of these risk factors on Company's operations is based on estimates alone and may actually be different.

B. Delek Properties

On February 22, 2021, the Israel Tax Authority approved the completion of a split under Section 105 of the Income Tax Ordinance, under which, as from April 1, 2021 (hereinafter - the "**Date of the Split**"), the majority of Delek Israel's holdings in real estate in Israel, which it held until the Date of the Split through investee companies and partnerships, were split and transferred to Delek Properties, a company established for the purpose of the split by the shareholders of Delek Israel (hereinafter - the “**Split Transaction**”).

Delek Properties, directly and through its investees, operates in the income-producing real estate segment in Israel. The operations in this segment include development, construction, appreciation and lease of income-generating properties in Israel.

As at the reporting date, Delek Properties operates in the income-generating properties segment mainly by using gas station compounds, including gas stations, convenience stores and relates use such as car wash services, car services and restaurants.

The gas stations and convenience stores are leased to Delek Israel, which operates these compounds.

As part of the appreciation operations, Delek Properties is working towards adding residential use to several properties.

As at December 31, 2023 and the date of this report, Delek Properties holds 60 properties on approx. 172 thousand square meters of land (Delek Properties’ share). In some of the properties that were transferred to Delek Properties under the split transaction, Delek Properties has the right to be registered as the owner; in others, as the holder of perpetual capitalized lease rights, and some are by joint holdings with third parties, directly or through holdings in companies.

In 2023, Delek Properties distributed dividends to its shareholders totaling NIS 25 million, with the Company’s share was NIS 6 million.

On February 19, 2023, an investment agreement was signed between Delek Properties and Ragnar 1 Investments - Limited Partnership, which is owned by the partners of Alpha Hedge Funds Group (in this section - “**Ragnar**”) and on March 5, 2023, the said investment transaction was completed, under which Delek Properties allotted shares to Ragnar, that following the allotment constituted approx. 3.2765% of Delek Properties’ issued and paid up share capital, in return for NIS 25 million that has been invested in Delek Properties, according to a value of Delek Properties of NIS 738 million (pre-money).

This agreement also stipulates that if Delek Properties executes an IPO of its shares or lists its shares for trading on the Tel Aviv Stock Exchange Ltd. or any other stock exchange (hereinafter in this section - “**IPO**”), within eight years of closure of the transaction, Ragnar will be entitled to acquire additional shares of Delek Properties shortly before completion of the IPO, in return for another NIS 25 million, according to 87.5% of the value of Delek Properties (pre-money), as to be determined based on the effective price of each Delek Properties share in the IPO.

Impact of the Iron Swords War on Delek Properties' operations

Due to the War, in some of Delek Properties' assets in which development and/or appreciation is planned, there have been delays in the planned schedules. Furthermore, two gas station compounds located on the battlefront that are leased to Delek Israel and other lessees, did not operate in October 2023; they have returned to full activity, and as at the reporting date, Delek Properties' compounds are running normally.

In gas stations that pay according to revenue, there has been a non-material decline in revenue and several lessees were granted discounts in respect of rent for the fourth quarter in non-material amounts. In Delek Properties' estimation, as at the reporting date, the effects of the War on its operations are not material.

However, it is presently impossible to predict the expected length of the War. If the fighting continues, and expands and spreads to Northern Israel, this may lead to an economic recession and, among other things, to a decrease in the revenue level of lessees, which may affect Delek Properties' results and business.

Risk factors

Other than the risk factors to which the Group is exposed, as set out in Section 1.21 below, its operations are also exposed, through its holdings in Delek Properties, to additional risk factors, including industry-specific risks such as government policies, permits from authorities, decline in demand for leased space, ability to dispose of assets, exposure to the fuel industry, lessees' financial robustness, legal and regulatory changes, competition, cost of operating income-generating real estate properties, and specific risks of dependence on Delek Israel as a key lessee, difficulties in obtaining financing or liquidity and credit, and impairment of the Company's assets. The impact of these risk factors on Company's operations is based on estimates alone and may actually be different.

1.9.2 **Mehadrin**

As from August 17, 2023, the Group also has additional operations in the agriculture segment, refrigeration segment, water segment and income-generating assets segment. Accordingly, below is a summary of the Group's activity in the sector.

The Group's operations in this segment are carried out through Mehadrin Ltd. (hereinafter - "**Mehadrin**") and companies that it owns (Mehadrin and companies that it owns will hereinafter be referred to jointly as - "**Mehadrin Group**"). Mehadrin is a publicly traded company listed for trading on the Tel Aviv Stock Exchange Ltd., and the Mehadrin group holds (owns and leases), among other things, land reserves (covering an estimated 1,110 hectares), and logistics assets, including refrigeration, packing houses, and logistics centers, in Israel and other countries. As at the report approval date, the Company holds approx. 54.80% of Mehadrin's issued and paid up share capital, following finalization of a transaction for the acquisition of the entire holdings of Discount Investments Ltd. in Mehadrin Ltd., for a total consideration of approx. NIS 249 million, and a special tender offer finalized by the Company subsequent to the reporting date, on January 29, 2024, under which offerees holding a total of 361,643 ordinary shares accepted the tender offer, which constitutes approx. 10.83% of Mehadrin's issued and paid up share capital and voting rights, for a price of 16,241 agorot per ordinary shares, such that as at the reporting date, the Company holds approx. 54.80% of Mehadrin's share capital.

For further details, see the Company's immediate reports dated July 17, 2023 (Ref. No. 2023-01-080964), August 10, 2023 (Ref. No. 2023-01-074371) and August 17, 2023 (Ref. No. 2023-01-095361) and January 29, 2024 (Ref. No.: 2024-01-011280), the details of which are included herein by way of reference.

Mehadrin Group engages in four main operating segments: (1) Agriculture - the agricultural segment is Mehadrin Group's main operations and includes mainly processing and maintenance of fruit orchards and groves, packing and marketing fruit in and outside Israel, and treatment and processing of fruit; (2) Refrigeration - Mehadrin Group provides Mehadrin Group companies and external customers with full cold storage services through refrigeration sites nationwide (whether owned by it or not) (hereinafter - "**Refrigeration**"). The total Refrigeration area in Israel as of December 31, 2023 was approx. 24,000 sq.m (of which Mehadrin Group owns approx. 16,500 sq.m), with a volume of approx. 182,000 m^3. At the beginning of January 2024, Mehadrin discontinued its lease of the refrigeration facility at Givat Brenner on a total area of approx. 1,000 sq.m, such that as of the report date, the total refrigeration area in Israel available to Mehadrin Group is approx. 23,000 sq.m. Mehadrin Group owns a cold storage warehouse in France of approx. 7,000 sq.m that is used to store Mehadrin Group's produce before marketing; (3) Water segment - Mehadrin Group supplies orchards owned by it and external customers with irrigation water pumped from Mehadrin's wells (hereinafter - the "**Independent Water Sources**") and external water sources, such as local effluents treatment plants and Mekorot Water Company Ltd. (hereinafter ' "**Mekorot**" and "**External Water Sources**", respectively). Mehadrin Group has 12 Independent Water Sources for irrigation (wells). In addition to pumping water for own consumption, as specified above, Mehadrin Group supplies water to irrigate agricultural fields to various customers, from Independent Water Sources and External Water Sources, through the group's water supply networks; and (4) Income-generating assets - Mehadrin Group holds space and buildings for rent to various customers, including space for sheds, packing and storage, offices and space for setting up of cellular facilities and antennas. As at the report approval date, Mehadrin Group holds approx. 44,500 sq.m of income-generating assets, the majority of which is used by Mehadrin Group and approx. 3,800 sq.m leased to third parties.

Impact of the Iron Swords War on the Mehadrin Group's operations

The Iron Swords War that broke out on October 7, 2023, had a material and severe effect on the agricultural industry in Israel in general, and in the Gaza Envelope and Northern Israel regions in particular, and a direct adverse effect on Mehadrin's position, since its core business is agriculture, as aforesaid. Mehadrin's income and most of its operations are based on the citrus and avocado harvesting season in Israel, and there is fear of material damage in this segment. As of the report date, the agricultural season is in full swing, and Mehadrin is still assessing all direct and indirect implications of the War on its operations and results, both during the present agricultural season and thereafter. The effects of the War on Mehadrin Group's core business, among other things, prevented access and caused direct damage to orchards and groves in an area of approx. 0.4 thousand hectares in the Gaza Envelope area, and groves of thousands more hectares in Northern Israel; harvesting was affected and its costs increased due to a very significant decrease in the harvesting workforce available to Mehadrin; the inventory on the tree was affected (pre-processing expenses item) and a decline in fruit is expected next year (the later the fruit is picked, the lower the quantity of fruit the following year); a significant workforce shortage at the packing houses was caused, which led to a significant decline in output and an increase in transport costs; a decline in storage was caused in the refrigeration segment; a decrease in sales was caused, and there is a delay in shipping, as well as an increase in marine transportation costs.

Due to the known and forecast effects, as at the publication date of this report, on Mehadrin's operations and results, the total accounting reductions in Mehadrin's books in respect of the Iron Swords War in the fourth quarter of 2023 are estimated at approx. NIS 21 million.

Mehadrin believes, that the said situation and its continuation may have a material adverse effect on its business results in the first half-year of 2024; however as of the report date, it is impossible to assess the full effects, their scope and implications on Mehadrin's results.

The Company's above assessments, including regarding the effects of the Iron Swords War and the possibilities facing Mehadrin to deal with them, are forward-looking information, as defined in the Securities Law, 1968, which may not materialize or may materialize differently than expected, among other things, due to the uncertainty regarding the security situation, its continuation, and its effects on the agricultural industry in general, and on Mehadrin's operations and results in particular.

General

As stated above, agriculture is Mehadrin Group's main area of operation, in which Mehadrin operates as follows:

Processing and maintenance of orchards and plantations - The citrus sector is one of the basic and oldest agricultural sectors in Israel. Due to the continuous erosion of profitability and appreciation of the NIS in recent years, Mehadrin Group has almost ceased planting new orchards and plants mainly species of avocado.

Lease, processing and maintenance agreements - The fields processed by Mehadrin Group include plantations and orchards of external parties, which are anchored in maintenance and planting agreements and processing agreements, and private land and/or land leased directly from ILA.

Fruit packing - Mehadrin Group packs and markets fruit from Mehadrin Group's plantations and those of other growers, including fruit purchased from private packing houses. As at the report date, Mehadrin Group owns interests in three packing houses, and a warehouse, and also leases an avocado packing house.

Marketing fruit in Israel and abroad - Mehadrin Group operates in the fruit packing and marketing segment, and invests in packing houses for this purpose. Mehadrin Group also operates as an exclusive distributor (and not as a grower) in certain fruit sectors.

Customers of the agriculture segment

Mehadrin Group has several types of customers and contracts in the segment according to the type of service provided:

Processing and maintenance - Mehadrin Group signs two types of agreements with the landowners: (1) Processing agreements - in these agreements, Mehadrin Group provides plantation processing and maintenance services and the customer provides the means necessary to irrigate the plantation and undertakes to transfer the fruit to Mehadrin Group's packing and marketing systems. In some of the agreements, Mehadrin Group undertakes to provide financial support until receipt of the consideration for marketing the fruit. (2) Maintenance and planting agreements - These agreements form a kind of joint venture under which Mehadrin Group provides the plantation maintenance services and the customer (orchard owner) provides Mehadrin Group with the means of production and undertakes to transfer the fruit to Mehadrin Group's packing and marketing systems; in some of the agreements, the Mehadrin Group and orchard owner share the profit from the venture, in accordance with the provisions of the specific agreement between them. During the agreement term, Mehadrin Group invests in orchards. At the end of the agreement term, the orchard owner receives the orchard in its as is condition. Most to all of the financing required for investment in orchards is provided by Mehadrin Group as a non-recourse loan to the venture. The profits of the venture are divided as agreed by the parties and there is a risk sharing arrangement between the parties, while the orchard owner is guaranteed an agreed return.

Fruit packing - Mehadrin Group's packing and marketing customers are the plantation owners.

Fruit and vegetable marketing and export - Mehadrin Group's customers in the marketing and export of fruit and vegetables are local importers, supermarket chains and wholesalers on the local market and in the target countries, and factories in the juice and concentrate production industry (that use fruit as a raw material).

As at the report date, Mehadrin Group does not have any customer/group of customers from whom the revenue constitutes 10% or more of the revenue in Mehadrin's consolidated financial statements. However, termination of the agreement with certain key and strategic customers may have a material adverse effect on Mehadrin Group's operations in the segment, in the short and medium term, until alternative customers are found.

Competition in the agriculture segment

Competition in plantation processing and maintenance - There are several companies operating in the plantation processing and maintenance segment, including large companies deployed nationwide and small entities (or individuals) that operate in a specific geographic area, each of which processes tens of acres only. Mehadrin believes (based on public data about the total agricultural areas in Israel compared to the Group's areas and about the operations of competitors in the segment), that competition in the processing and maintenance segment is low. Furthermore, Mehadrin believes, based on the above, that it is ranked as one of the largest Group of companies in this segment in Israel.

Competition in marketing fruit in Israel and abroad - Mehadrin Group competes with other Israeli citrus fruit exporters and is ranked the largest citrus exporter in Israel. Moreover, Mehadrin Group competes with citrus fruit exporters from other countries and distributers in other countries, including in Western Europe, the UK, Japan and Korea. According to Plant Council data, Mehadrin Group is the third largest avocado exporter in Israel.

Competition in marketing vegetables in Israel and abroad - Mehadrin Group deals mainly in root vegetables. There is competition on the local and international market between local exporters and global and local growers. Competition in marketing vegetables on the local and international market is tough and challenging.

The intense competition between the fruit suppliers, the supermarket chains in the target countries and the exporters from Israel requires Mehadrin Group to find available and flexible marketing alternatives suitable to the shelf life of agricultural produce.

Land restitution and expropriation

Following legislation of the Law for Advancing Construction in Preferential Housing Compounds (Temporary. Order), 2014, which orders setting up of a national committee for planning and construction of preferential housing compounds, in July 2016 ILA Resolutions 1469 and 1470 were published. Resolution 1469 specifies that the restitution date will be set by ILA considering the end date of the growing cycle, and the lessee may request that ILA clears the land for restitution; Resolution 1470 (which amends and cancels Resolution 1426) determines termination of the lease of agricultural land whose zoning was changed to residential, employment and security purposes and restitution of the land immediately (at ILA's decision). In Resolution 1469, the incentive to a lessee who complies with the restitution terms and conditions is 20% of the compensation for the fixtures, and in Resolution 1470, the compensation and incentive set in the event of immediate termination of the lease of land for change of zoning and marketing for housing, is NIS 30,800 per 0.1 hectares for restitution of the land with the plantations plus 50% of the compensation amount as an incentive for compliance with additional conditions, such that the total compensation (under both resolutions) is approx. NIS 60,000 per 0.1 hectares (after CPI-linkage). Furthermore, a lessee with exemption from a tender and payment of full discounted lease payments and payment of development expenses, may purchase plots that constitute 20% of the area of the plan, whose value will be determined according to the results of the tenders in the plan and the government appraiser, and in compounds earmarked for marketing in the Affordable Housing Program, the price of plots allocated for exemption from a tender will be determined based on a current assessment. In recent years, restitution agreements for approx. 243.5 hectares were signed.

Risk factors

Other than the risk factors to which the Group is exposed, as specified in Section 1.21 below, the Group's operations in the agricultural, refrigeration, water and income-generating assets segments are also exposed to additional risk factors, including macroenvironment and macroeconomic risks, industry-specific risks - climate, nature and agricultural pests, dependence on workforce for picking and packing, transport of the fruit, water shortage and prices of potable water, quarantine pests, export volumes of various countries that compete with Israeli fruit, increase of the minimum wage and low demand for shed and storage spaces; risks specific to Mehadrin - collateral from customers, brand damage, supervision and permits, agreements with customers, increase in electricity prices, environmental events, and environmental risks in the water segment.

Part Four – Matters Relating to the Company as a Whole

1.10 Property, plant and equipment and investment property

Below are details about the real estate properties owned by the Company (that do not belong to the operating segments described at length above):

(a) **Delek House**

As at the report approval date, the Company holds approx. 71.735% of the rights in a building located at 19 Abba Eban Boulevard, Herzliya (hereinafter - the "**Building**") which reflects rights in 100% of the space in the office wing and approx. 66% of the rights in commercial and hotel space. The Building has 4 floors above ground level covering a built-up area of approx. 25,000 m², and includes a 3-level basement parking lot (hereinafter in this section - the "**Property**"). Approx. 1,300 m² of the building is used as offices for the Company, its subsidiaries and companies owned by the controlling shareholder.

In March 2018, the Company received a permit for rezoning for a hotel, and on May 15, 2018, a lease agreement was signed between the Company and Fattal Hotels Ltd. (hereinafter - "**Fattal**") for a period of 5 years, with respect to the hotel. Fattal is continuing to operate the hotel on the hotel area leased to it, which includes approx. 180 rooms and a swimming pool, spa, restaurant, bar, conference hall, lounge, meeting rooms, commercial spaces and others; it is also continuing to pay the base rent (as defined in the lease agreement), even though the lease term has ended. In addition to the rent, there is another rent mechanism at a rate equal to half of the remaining operating income as defined in the lease agreement. The Company and Fattal are working towards extending the lease agreement.

In February 2019 a sale transaction was concluded under which the Company sold to Fattal 28,265/100,000 of the Company's existing and future title rights in the Property (if any, and which were wholly-owned by the Company until then) whereby rights were transferred to Fattal for 1/3 of the hotel and 1/3 of the rent paid by it as described above. Furthermore, a partnership agreement was signed between the Company and Fattal, both as a "partnership in land" for the purpose of regulating the joint hotel and commercial management and use rights to promote planning processes to increase the scope the joint rights in the land and exercise them, and for the purpose of dividing the Property between the different uses.

In December 2021, approval was received for Plan No. 504-0581652 promoted by the Company, under which an increase in rights was approved, such that the plan will include, among other things, 5,600 sq. m. mostly for housing, 10,334 square meters mostly for employment, 10,334 square meters mostly for a hotel and 1,330 square meters mostly for commercial use. The Company is working towards exercising the rights.

For further details about Delek House, see Note 10(a) to the Financial Statements.

(b) **Property in Acre**

On March 25, 2021, the subsidiary, Delek Sea Maagan (2011) Ltd. (hereinafter in this section - the "**Subsidiary**"), signed a detailed agreement for the sale of all of its rights (100%) in the approx. 43 hectares of land near the shore in Acre (hereinafter in this section - the "**Land**"), and on October 12, 2021, the subsidiary signed an addendum to the sale agreement (hereinafter - the "**Addendum to the Sale Agreement**") under which the sale will constitute 75% of the Land, such that after closing of the transaction under the sale agreement, the Subsidiary will hold 25% of the rights in the Land. In return for the sale of 75% of the rights in the Land, the Subsidiary was paid NIS 150 million plus VAT. For further details, see the Company's immediate reports of March 25, 2021 (Ref. No. 2021-01-046893) and October 12, 2021 (Ref. No. 2021-01-087178), which include information presented herein by way of reference. In April 2023, the holders of the land rights and Israel Land Authority signed an agreement of business principles, according to which, among other things, the land will be divided into 3 complexes (logistics, a recreation complex and a residential complex), and the lease term for the logistics complex will be extended, while increasing its construction rights. Furthermore, phases were set for exercising the land rights (hereinafter - the "**Agreement in Principle**"). The holders of the land rights are working to treat and decontaminate the Land according to permits of the Ministry of Environmental Protection and other relevant entities, as specified in the Principles Agreement.

For details about the motion for certification of a class action filed with respect to environmental issues related to land, see Note 21A3(2) to the Financial Statements.

1.11 Human resources

1.11.1 Organizational structure

The Group's executive officers and other administrative staff are also involved in the management of some of the investees and which are considered to be part of the Company's Staff Companies. For a flowchart illustrating the Group's main holdings and definition of its Staff Companies, see Section 1.1 above.

The description in the sections concerning the Company's entire operations refers to the Company and its Staff Companies (100%) as a single entity.

1.11.2 Employee headcount

The Company employs a staff (including service providers) of 18, of whom 5 are senior officers and the rest are head office and administration employees.

1.11.3 Officers and senior management employees in the Group

The officers and senior management employees are employed under personal contracts or management fees agreements. The officers are eligible for insurance, waiver and indemnification in respect of activities performed in their official capacity.For details concerning the executive officers, see Regulation 26 in Chapter D to the Periodic Report below.

For details pertaining to compensation of senior officers in the Group pursuant to Regulation 21 in the Periodic and Immediate Reports Regulations, including details relating to the revised officers' compensation policy, see Chapter D to the Periodic Report below.

1.11.4 It should be noted that the Company adopted an internal compliance program in the field of securities laws, according to the criteria for an effective compliance program published by the Israel Securities Authority on August 15, 2011. The Company revises the administrative compliance program from time to time, as necessary.

1.12 Working capital - details and composition

The Company's working capital consists of its current assets, including cash and cash equivalents or bank deposits, investment in securities, taxes receivable and credit and debit balances. On the other hand, the Group has current liabilities in respect of its obligations to debenture holders and other lenders, trade and credit balances, and taxes payable, which are due for repayment as of the coming year.

As at December 31, 2023, the Company (separate) has a working capital deficit of approx. NIS 0.2 billion. The Group (consolidated) has a working capital of approx. NIS 0.8 billion.

1.13 Financing

1.13.1 General

This section presents details regarding the Company's loans and debentures. As at December 31, 2023, the Company had a loans of approx. NIS 109 million to finance the building in Herzliya, which was paid up immediately subsequent to the balance sheet date, and a foreign bank loan in a total amount of approx. NIS 283 million (approx. USD 78 million). For further details, see Sections 1.13.3 and 1.13.4 below.

For details about the credit facilities and loans granted to NewMed Energy and Ithaca, see the financing sections in the description of operating segments in Sections 1.7.22 and 1.8.17 above.

For details regarding the loan given by a foreign bank consortium and Israeli banks to Delek Leviathan Overriding Royalty, see Note 1.7.22(d) above.

In addition, for further details concerning the Group's financing sources see Notes 15 and 16 to the Financial Statements.

1.13.2 Interest rates

Breakdown of the average interest rate on loans from bank and non-bank sources effective during the reporting period and which are not designated for specific use:

		Short-term loans		Long-term loans	
		Average interest rate	Effective Interest rate	Average interest rate	Effective Interest rate
Banking sources	Unlinked NIS credit at variable interest	-	-	-	-
	USD linked credit (*)	-	-	8.8%	10.4%
Non-banking sources	Linked NIS credit: Third party	7%	7.7%	-	-
	Unlinked NIS credit: Debentures	-	-	6.7%	6.7%

(*) The interest on the USD-linked credit, the outstanding amount of which shortly before the report publication date is approx. USD 63 million; the credit is expected to be repaid in April 2024. For further details, see Section 1.13.3 below.

1.13.3 Loan from a foreign bank

As at December 31, 2023, the Company has a loan in the amount of USD 78 million from a foreign bank, secured by Ithaca shares. Immediately prior to the report date, the loan balance is approx. USD 63 million. The loan does not constitute a material loan as defined in Legal Position No. 104-15, Reportable Credit Events, published by the Israel Securities Authority on October 30, 2011, as amended on February 2, 2023 (a clarification was provided regarding collection on January 14, 2024 (hereinafter in this Section 1.13 - the "**ISA's Position**"), but is a "loan with a material cross default condition" as defined in the ISA's Position, and calling it for immediate repayment, including in case of breach of a financial covenant thereunder, will be cause for calling for immediate redemption of the Company's debentures. According to the ISA's Position, below is information on the financial covenants set out in this Credit Facility:

Financial covenant (breach of which is a "material cross default condition")	Amount of the loans, as at December 31, 2023 and until shortly before the Report approval date, for which cause for immediate repayment will arise for non-compliance with the financial covenant	Calculation of the covenant as of December 31, 2023	Calculation of the covenant close to the report approval date
At no time shall the Company's total credit[1] exceed 60% of the Company's total assets at that time.	USD 78 million (and USD 63 million as of shortly prior to the report approval date)	Ratio of credit balance to assets - 35%	Ratio of credit balance to assets - 35%
At no time shall the Company's cash (in USD) (liquid or deposits) usable for payment of its liabilities, fall below USD 25 million.		The Company's cash amount - NIS 696 million	The Company's cash amount - NIS 289 million
If the LTV[2] ratio falls below 170%, the Company will supplement it to 250% within five business days from being given notice thereof by the lenders (by depositing additional cash or shares into the pledged accounts).		LTV ratio - 625%	LTV ratio - 830%

The Company has the right to remedy non-compliance with the financial covenants within 14 business days by partial payment or pledge of cash.

[1]Total Company borrowing, calculated according to the non-consolidated balance sheet, excluding guarantees.
[2]The ratio between the value of the pledged shares and the outstanding debt less the cash deposited in the pledged accounts.

1.13.4 As at December 31, 2023, the Company had a loan from a third party to finance the building in Herzliya totaling approx. NIS 109 million. Subsequent to the balance sheet date, in January 2024, the Company repaid the entire balance of the loan.

1.13.5 Debentures

(1) On February 12, 2023, the Company fully repaid Debentures (Series B31 and B34) through an exchange tender offer published on January 22, 2023, under which the Company offered holders of Debentures (Series B31 and B34) to exchange the said debentures for Debentures (Series B37). For further details regarding the tender offer, see the shelf offering report published by the Company on that date (Ref. No.: 2023-01-010359). According to the terms of the tender offer and response to the offer, the Company bought back from the offerees NIS 834,923,664 p.v. Debentures (Series B31) that constituted approx. 60.71% of the total outstanding Debentures (Series B31) and NIS 834,923,664 p.v. Debentures (Series B34) that constituted approx. 64.52% of the outstanding Debentures (Series B34). Concurrently, the Company issued 1,750,000,000 Debentures (Series B37). For further details, see the Company's immediate reports of February 1, 2023 and February 12, 2023 (Ref. No. 2023-01-013674 and 2023-01-015972, respectively), which include information presented here by way of reference. For details about the deed of trust of Debentures (Series B37), see the Company's immediate reports of February 8, 2023 (Ref. No.: 2023-01-015462), included herein by way of reference.

(2) Further to completion of the abovementioned tender offer, on February 12, 2023 the Company made a full early redemption of all Debentures Series B31 and B34 still outstanding after the tender offer, and those series were delisted from the TASE. For further information, see the Company's immediate report of February 12, 2023 (Ref. No. 2023-01-016218), which includes information presented here by way of reference.

(3) In September 2023, the Company issued NIS 816,891,000 p.v. in Debentures (Series B38). For further details, see the immediate reports of the Company dated September 6, 2023 (Ref. Nos.: 2023-01-084310 and 2023-01-090979), the details of which are included herein by way of reference. For details about the deed of trust of Debentures (Series B38), see the Company's immediate reports of September 7, 2023 (Ref. No.: 2023-01-085129), included herein by way of reference.

(4) Subsequent to the balance sheet date, on January 1, 2024, The Company expanded Debentures (Series B38) by way of a private placement of another 515,000,000 Debentures (Series B38). For further details, see the immediate report of the Company dated January 1, 2024 (Ref. No.: 2024-01-000240), and January 7, 2024 (Ref. No.: 2024-01-003162), included herein by way of reference.

(5) On September 27, 2023, the Company made a partial early repayment of 301,190,733 p.v. Debentures (Series B35) and subsequent to the balance sheet date, on January 21, 2024, it made a full early repayment of 508,987,890 p.v., which constitutes all Debentures (Series B35) that were outstanding on that date. For further details, see the immediate reports of the Company dated September 7, 2023 (Ref. No.: 2023-01-085126), September 27, 2023 (Ref. No.: 2023-01-089839), January 1, 2024 (Ref. No.: 2024-01-000252), and January 21, 2024 (Ref. No.: 2024-01-008586), included herein by way of reference.

(6) It should be noted that, subsequent to the report publication date and shortly before the report publication date, on March 21, 2024, the Company announced that it is considering a public offering of a new series of Debentures (Series B39), by way of a uniform offering, backed by collateral, rated, and listed for trading on the TASE; it also published a first draft of the deed of trust for the Debentures (Series B39). For details about the deed of trust of Debentures (Series B37), see the Company's immediate reports of March 21, 2024 (Ref. No.: 2024-01-029574), included herein by way of reference.

(7) For details about the outstanding debentures, including the restrictions set in their terms, see Chapter D of the Report of the Board of Directors.

(8) For details about the debentures in a total amount of USD 180 million issued in 2020 to foreign and Israeli qualified investors by Delek Leviathan Overriding Royalty Ltd., that were valid until their full repayment date on October 30, 2023, see Section 1.7.17(b) to the Company's 2022 Periodic Report.

1.13.6 Liens

As at the report approval date, as specified in paragraphs (a) to (d) below, among other things, 565,998,469 participation units of the Partnership, which constitute approx. 48.22% of the Partnership's issued participation unit capital and approx. 89% of all participation units of the

Partnership held by the Company, have been pledged in favor of the debenture holders and a foreign bank, as well as approx. 431,790,833 Ithaca shares, which constitute approx. 42.57% of Ithaca's issued share capital and approx. 48.07% of all Ithaca shares held by the Company.

(a) To secure the repayment of Debentures (Series B36), the Group encumbered participation units of the Partnership. As at December 31, 2023 and shortly before the report approval date, approx. 70,323,488 participation units of the Partnership were pledged in favor of the holders of Debentures (Series B35).

(b) To secure repayment of the Debentures Series B37, the Partnership's participation units and Ithaca shares were pledged. As at December 31 and shortly before the report approval date, approx. 230,408,680 participation units of the Partnership were pledged in favor of the holders of Debentures (Series B37) and approx. 231,790,833 shares of Ithaca.

(c) To secure the repayment of Debentures (Series B38), the Group encumbered the Partnership's participation units. As at December 31, 2023, 150,415,826 participation units of the Partnership were pledged in favor of the holders of Debentures (Series B38). Subsequent to expansion of Debenture Series B35, as specified in Section 1.13.5(4) above, additional participation units were pledged and immediately prior to the report approval date, approx. 265,266,302 participation units of the Partnership are pledged in favor of the holders of Debentures (Series B35).

(d) According to the Credit Facility agreement with a foreign bank, as described in Section 1.13.3 above, the Company pledged approx. 200 million Ithaca shares, which constitute approx. 20% of Ithaca's issued share capital, as well as various accounts opened in connection with the Credit Facility (the pledged shares account, accounts in which the dividends in respect of the pledged shares and the security buffer will be deposited).

(e) It should be noted that as at December 31, 102,019,940 participation units of the Partnership were pledged in favor of the holders of Debentures (Series B35) which are not outstanding as at the report approval date, since on January 21, 2024 a full early repayment of Debentures (Series B35) was made, as stated in Section 1.13.5(5) above.

(f) For information regarding liens given under an agreement signed by the Company with a consortium of financial institutions led by Mizrahi Tefahot Bank Ltd., under which the Company undertook liabilities in connection with financing in the amount of approx. NIS 548 million (principal), the balance of which as at December 31, 2023 and immediately prior to approval of the report is approx. NIS 308 million, provided by the lenders to purchase shares of The Phoenix Holdings Ltd., as specified in Section 1.14.3 below, see Section 1.13.5 of the Periodic Report for 2020 published by the Company on March 31, 2021 (Ref. No.: 2021-01-052227) (hereinafter - the "**2020 Periodic Report**").

(g) With regard to a lien on the rights to receive overriding royalties from the Leviathan Project, see Section 1.7.22(d) and Note 15.E(3) to the Financial Statements.

(h) For details regarding the liens provided by the Partnership and Ithaca and companies held by them, see the financing section included in the description of the operating segments in Sections 1.7.22 and 1.8.17 above.

1.13.7 <u>Credit limits</u>

The Group is subject to the Proper Conduct and Banking Business Directives issued by the Banking Supervision Department in Israel, which include, inter alia, restrictions on the volume of loans which the Israeli banks may extend to a single borrower and the largest borrower group in the bank (as these terms are defined in the aforementioned directives).

1.13.8 <u>Credit rating</u>

For details about the Company's credit rating, see Chapter D in the Company's Report of the Board of Directors.

1.14 Loans and guarantees provided by the Company

1.14.1 <u>Details of a loan given by the Company to a subsidiary as at December 31, 2023 (in NIS millions):</u>

Lender	Borrower	Loan amounts at December 31, 2023 (in NIS million)
Delek Group	Delek Sea Maagan 2011 Ltd.	23

1.14.2 Breakdown of guarantees provided by the Company in respect of the liabilities of subsidiaries and associates, as at December 31, 2023 (in NIS millions):

Guarantor	Guaranteed	Guarantee amounts as at December 31, 2023 (in NIS million)
Guarantee for liabilities of subsidiaries and related companies		
Delek Group	Block 7	30(*)
Delek Group	Yam Tethys assets	9
Total		**39**

(*) Subsequent to the balance sheet date, in January 2024, the Company discontinued its operations in Canada, the EL1147 – Block 7 license expired, and the guarantee was cancelled.

(**) The Company provided an unlimited performance guarantee in favor of the Republic of Cyprus to secure compliance with all the Partnership's obligations under the PSC described in Section 1.7.5 above.

1.14.3 The Phoenix loan:

On November 3, 2019, the Company completed a transaction for the sale of approx. 32.5% of the share capital of The Phoenix to Belenus Lux S.a.r.l, a company controlled by the Centerbridge Foundation and Gallatin Point Capital Foundation (hereinafter - the "Acquirer"). The consideration for the transaction as at closing date amounted to approx. NIS 1.57 billion (after adjustments for dividends distributed by The Phoenix by closing date). Of this, an amount of approx. NIS 1.335 billion was received in cash on closing date and the balance, in the amount of approx. NIS 235 million, was provided to the buyers as a loan by the Company (hereinafter - the "Seller's Loan"). Part of the consideration paid in cash to the Company by the buyer was financed by a first degree loan of approx. NIS 548 million that the Acquirer received from financial institutions (hereinafter - the "**Senior Loan**"). The balance of the Senior Loan principal as at December 31, 2023 amounts to approx. NIS 308 million. For details about the Seller's Loan and Senior Loan, see Section 1.15.3 of the Periodic Report for 2020.

For details concerning the accounting treatment, see Note 8B to the Financial Statements.

1.15 Taxation

For a description of the tax laws applicable to the Company see Note 7 to the Company's Separate Financial Information.

1.16 Restrictions and supervision of the corporation's operations

1.16.1 With the exception of the restrictions and supervision applicable to the Company and its subsidiaries under the various operating segments, as set out in each of the operating segments, as a publicly-traded company the Company is subject to applicable restrictions under the Companies Law and corresponding regulations, the Securities Law and regulations thereunder, and the competition laws. In addition, the Company is affected by the various directives concerning capital and debt raising on the financial market in Israel or for non-banking finance,

1.16.2 Market Concentration Law

In December 2013, the Market Concentration Law was published in the Official Gazette. The Market Concentration Law consists of three main chapters: (a) Aggregate concentration considerations when granting rights for use of national resources (essential infrastructures and privatized assets) to conglomerates (as they appear in a list of conglomerates to be published by the concentration reduction committee and the criteria set in the Law, according to which a significant non-financial corporation, as defined in the Market Concentration Law, will be considered to be a Concentrated Entity) (hereinafter - "**Concentrated Entities**" and "**List of Concentrated Entities**", respectively), and taking into account the promotion of competition when allocating rights in essential infrastructures and in sectors where the number of players among whom the rights are to be allocated is limited (hereinafter - "**Concentration Considerations When Allocating Rights**"); (b) Constraints on the control of multi-tiered pyramid structured conglomerates: limiting multi-tiered control to two tiers only and applying increased corporate governance regulations on multi-tiered conglomerates (hereinafter - "**Constraints on Control of Multi-tiered Companies**"); (c) separation of significant financial corporations and significant non-financial corporations as defined in the Market Concentration Law and under which, inter alia, a significant non-financial corporation is prohibited from controlling and holding the means of control in a significant financial corporation (hereinafter - "**Separation of Non-financial Corporations from Financial Corporations**").

On March 28, 2023, the Israel Competition Authority informed the Company that the Group will be removed from the list of significant non-financial corporations and from the list of concentrated entities once the lists are updated; indeed, subsequent to the report date, the Company was removed from the list of concentrated entities published by the Israel Competition Authority on March 13, 2024.

1.17 Material agreements

For further information concerning material agreements under the various operating segments, see Sections 1.7.26 and 1.8.22 above. Material financing agreements at the Company level are detailed in Section 1.13 above.

1.18 Legal proceedings

For a description of the material legal proceedings to which the Group's companies are party, see Note 21 to the Financial Statements.

1.19 Objectives and business strategy

1.19.1 General

The primary strategy of Delek Group is to continue developing its core upstream energy assets, inter alia, by improving and exploiting the potential of the Group’s assets in the East Mediterranean Sea and North Sea, in addition to exploring business opportunities that can unlock the value of the Company’s operations and constitute a growth engine for the Company’s continued activity in additional areas.

1.19.2 Foreign Energy Segment

As part of the strategy to invest in the energy sector in international markets, and after acquiring the full share capital of Ithaca in 2017, in November 2019 the Company completed, through Ithaca, the acquisition of 100% of the shares of Ithaca IOGL (formerly Chevron North Sea Limited) for an amount of approx. USD 1.7 billion. The acquisition includes ten producing oil and gas fields in the UK North Sea region, as well as production, processing and storage facilities, which are synergetic with Ithaca’s operations and those of the entire Group. The acquisition position Ithaca as one of the leading oil and gas production companies in the UK North Sea. Furthermore, as part of its business strategy, Ithica recently made several investments in the energy segment in companies and significant oil assets abroad, and in November 2022, the listing of Ithaca for trading on the London Stock Exchange's Premium list was completed and its shares started trading under the "ITH" symbol.

For further details about Ithaca Group, its assets and operations, see Section 1.8 above; see also Note 11.L to the Financial Statements.

1.19.3 Energy in Israel Segment

The Group’s targets and business strategy in the Energy in Israel segment are to realize the economic potential of natural gas assets held by the Partnership, along with examining the acquisition of additional natural gas assets in and outside Israel, and is exploring possibilities of using new technologies aimed at streamlining the natural gas production and utilization activity, which upholding sustainability values. The strategy is implemented mainly by seeking to exhaust the production and sales potential of Phase 1 - First Stage and promoting the development of Phase 1 - Second Stage of the Leviathan Project, improving the production and operation of Leviathan Reservoir, promoting the development of the Aphrodite Reservoir, as well as pushing ahead with opportunities to utilize, own, develop and expand the natural gas pipeline infrastructure from the Partnership’s oil assets to the domestic market and export markets, including in LNG form, in accordance with the ESG policy adopted by the Partnership, in order to maximize value for the Company’s shareholders.

For this purpose, the Partnership operates, among other things, to increase the demand for natural gas by expanding and integrating the use of natural gas on the domestic market and by exporting natural gas via pipelines and/or by liquefaction and/or compression of natural gas and marketing on global markets, and taking into account the government’s policy on the matter.

In addition, the Partnership is acting to realize the potential of additional gas and/or oil discoveries in its oil assets and/or in new licenses in Israel and/or overseas, if it engages in transactions for acquiring oil assets and/or if they are awarded to the Partnership. Concurrently, the Partnership explores business opportunities related to its operating segments in and outside Israel, including the possibility of entry as a partners in oil assets at various stages of exploration, development and production, and also examines technological developments related to its operating segments.

Furthermore, in order to achieve zero-emissions targets from the Partnership's assets, due to the changes in the energy industry, government policy in Israel and developed countries is to encourage switching to electricity generation using alternative energies, and the desire to promote environmental, social and corporate responsibility aspects (ESG) in the Partnership's operations, the Partnership examines possibilities of investing in the field of alternative energies, and as part of this activity it entered into agreement with Enlight, and is also considering entering into the field of blue hydrogen, in a way that could be a low carbon alternative for energy consumers.

(a) Natural gas

The Group, through the Partnership, will continue to take measures to realize the economic potential of the natural gas assets held by the Partnership together with examining the acquisition of additional assets, including:

(1) Leviathan Project

A. Ensuring the supply of natural gas and condensate from the Leviathan Reservoir according to agreements signed, and negotiating and entering into additional agreements for the supply of natural gas and condensate to various potential consumers in Israel and countries in the region, primarily Egypt and Jordan.

B. Promoting the development of Phase 1 - Second Stage of the Leviathan Reservoir and increasing the production capacity to the maximum volume of approx. 21 BCM per year, as set out in Section 1.7.4(e)2 above in order to make a final investment decision (FID).

C. Moving ahead with examining formulation of an exploration prospect for oil purposes in the Leviathan Leases, as outlined in Section 1.7.4(d) above.

(2) Block 12 - Cyprus

Promoting the development of the Aphrodite Reservoir in Cyprus, as stated in Section 1.7.5(F) above.

(3) Optimization of infrastructures

The Partnership is exploring, together with its partners in the different oil assets and other infrastructure owners, options for optimization of the existing infrastructure to the different projects, including joint transmission infrastructure to export natural gas to various target markets, among other things, for the purpose of reducing construction and transmission costs as well as increasing the feasibility of promoting different projects.

(4) Oil and gas exploration

Continuation of the natural gas and oil exploration in the Partnership's asset and identifying business opportunities in new oil assets, mainly in countries in and around the Mediterranean Basin. In this context, the Partnership signed agreements in connection with exploration and production operations in the Boujdour license. For further details, see Section 1.7.8 above; it was also awarded licenses in Cluster I in the area of Blocks 4, 5, 6, 7, 8 and 11 in the Mediterranean Sea, in the EEZ of Israel. For further details, see Section 1.7.9 below.

(5) Increasing the demand for natural gas

The Partnership is acting to increase demand for natural gas by promoting large-scale projects that utilize natural gas in the transport sector, to convert coal-fired power plants to natural gas and to encourage the use of natural gas for housing and in other industries.

(6) Alternative energies

- Renewable energies - The Partnership is exploring the possibilities of investing in renewable energy projects as part of the collaboration with Enlight, as specified in Section 1.7.11 above.
- Hydrogen production - The Partnership is examining a blue hydrogen project in which natural gas is split into hydrogen and CO_2, while the CO_2 is captured and landfilled in dedicated underground storage sites or connected in various ways to underground rock

or seawater, or used to manufacture various products. It should be noted that hydrogen is currently considered one of the main foundations for the existence and prosperity of a low-carbon economy and a key way of dealing with the climate crisis.

(7) ESG

The Partnership strives to realize the potential of its main assets, the Leviathan and Aphrodite reservoirs, responsibly and efficiently for the purpose of maximizing value for the stakeholders, while actively maintaining its ESG values.The Partnership and the other Leviathan Partners are holding discussions with stakeholders, especially the Government of Israel, on the optimal development plan that would balance the technical, national, commercial, environmental, and social considerations.

In this context, it is noted that, although natural gas is a fossil fuel and a perishable resource, demand for it is expected to rise in the coming decades, especially in the Middle East.

The Partnership is increasing its activity in order to discover additional resources and meet the growing demand, both in the Mediterranean and along the North African Coast. The Partnership recognizes that natural gas is a transitional fuel, and therefore, it is working to expand its activity in the renewable energy segment, and moreover, it is promoting its clean energy technology capabilities, such as hydrogen.

(8) The scope and diversity of the Partnership's operations requires investment of substantial financial means, inter alia, to establish and deepen commercial, technical, financial, legal and regulatory knowledge and capabilities. Therefore, to the best of the Company’s knowledge, the Partnership intends to weigh and use various measures at its disposal to raise funds, through debt and/or equity, in addition to using future excess revenue from the Leviathan Project and excess cash in its possession.

It is clarified that the Company’s above goals and strategy through the Partnership are general intentions and goals, and therefore, there is no certainty that they will be realized, among other things, due to changes in market conditions, geopolitical changes, regulatory and tax law changes, changes in priorities due to the results of the operations in the Partnership’s projects, as well as other developments, unforeseen events, and the risk factors set out in Section 1.7.22 above. It is further clarified that realization of the above goals and strategy is subject to approvals of the competent organs of the Partnership which have not yet been received, including the general meeting of the unit holders, as well as approvals from third parties.

1.19.4 Maximize the value of core assets and reinforcing financial position

Delek Group intends to continue to maximize the value of its core assets, NewMed Energy and Ithaca, to reinforce its financial position and improve its liquidity.

1.19.5 Identification of new business opportunities to serve as a further growth engine for the Group in addition to the current activity

The Group seeks business opportunities which can, in addition to the Group’s current core activity, maximize value for the Company and serve as a growth engine for its further activity.

1.19.6 Contribution to the community in Israel and corporate social responsibility

The Company contributes, independently and through its subsidiaries, in a wide range of community activities. As a leading business group, the Group is committed to the principles of corporate responsibility in social and environmental aspects.

1.20 Financial information concerning geographic regions

As at December 31, 2023, the Group operates primarily in Israel and in the North Sea region. For further details, see Note 30 to the Financial Statements.

1.21 Discussion of risk factors

The Company operates in the energy sector in Israel and abroad, as well as in the fuels, agriculture, income-generating assets and other operating segments, and therefore the principal risk factors of the Company stem from the sector-specific risks of each of its operating segments (as described in Sections 1.7 and 1.8 above). Aside from the risks described for each of those segments, below are details of additional key risks to which the Group is exposed:

(a) The Iron Swords War

As at the report approval date, the Iron Swords War against the Hamas terror organization in Gaza is continuing at varying intensity, and the War on the northern front against the Hesbollah terror organization is also continuing, and there is a great deal of uncertainty regarding the development and results of the War. There is a risk of the escalation of the War on the northern border or exacerbation of the situation on other fronts, and it is impossible to assess the effect of the War on the operations of the Group, and of the Partnership in particular, mainly regarding continuation of regular production from the Leviathan reservoir and marketing of the gas to export customers and the local market by the Partnership.

The natural gas rigs of the Partnership, onshore and offshore production and transmission facilities, and other essential infrastructure systems in Israel and the export countries may be a target for missile fire and terror acts, and damage to them, if any, may cause more substantial harm and disrupt or shutdown the production and/or transmission operations for a period and to an extent that may be significant. In such cases, the insurance policies purchased by Chevron and the Partnership may not be sufficient to cover the damage and losses incurred by the Partnership. In this regard, it should be noted that there is a risk that upon renewal of the insurance policies, mainly in connection with war and terror, it may not be possible to purchase appropriate policies under reasonable commercial terms or at all. Another risk from the War is damage to the receiving facilities of condensate, the byproduct of natural gas production, from the Leviathan project. It should be noted that in the Partnership's estimation, the risk of events of this type may to a large extent be exacerbated in the event of escalation of Israel's northern front. If the War escalates, the risk of the government imposing restrictions on regular production operations from the Leviathan Reservoir and/or Tamar and/or Karish Reservoirs may also increase. Restriction or suspension of production from the Tamar and/or Karish reservoirs is expected to require the Leviathan Partners to increase the local market supply quantities, mostly on account of exports to Egypt.

In addition, in view of continuation of the War, the geopolitical risk has increased in connection with natural gas exports from the Leviathan Reservoir under the exports agreements, which constituted most of the Partnership's income in 2023.

Furthermore, in the event of significant exacerbation of the security situation that leads to early termination of the export agreements, unrepaired physical damage to the Leviathan project, or other events that could reasonable cause a material negative effect, subject to cure periods, qualifications and conditions, there is a risk of breach of the terms of the debentures of Leviathan Bond Ltd., which are secured by the Partnership's interests in the Leviathan project and listed on the TACT-Institutional of the Tel Aviv Stock Exchange Ltd., that may grant the holders of Leviathan Bond Debentures cause to call for immediate repayment and realize the collateral.

For the effects of the War on other operations of the Group, see Sections 1.9.1 and 1.9.2 above.

(b) Development of the Group's gas operations: The growth and success of the Group's gas operations is dependent on various factors, part of which are beyond the Company's control, such as changes in power production prices and/or the general TAOZ index published by the Israeli Electricity Authority and/or the refining margin index and/or the US CPI and/or other energy sources and/or global fuel prices; competition in gas supply; export restrictions; difficulties in obtaining finance; the security and political situation; dependence on the integrity of the national pipeline system; operating risks; exploration operation risks. Failure of any of these factors to materialize could have material adverse impact on the Group's operations. Also see the description of the risk factors in Energy in Israel Segment in Section 1.7.30 above and Foreign Energy in Section 1.8.25 above.

(c) Oil and gas prices: The Group is materially affected by the oil and gas prices, which are set according to supply and demand and affected by economic and political parameters. Market prices of oil and gas are volatile and if prices fall significantly, the financial viability of the projects in which the Group has holdings may be adversely affected, which could cause the feasibility of investments to decrease and the oil and gas reserves to decline. Furthermore, the decline in energy prices could cause the Group and/or its partners in the oil assets to decide not to participate in the development plans. All these parameters may lead to a decrease in the Group's production volume in Israel and abroad. A significant decline in oil and gas prices could limit or reduce Ithaca's ability to withdraw its credit line. Ithaca conducts hedging transactions on oil and gas prices using various instruments and at hedging rates that vary between years. In this context, it should be noted that during the second half of 2022, global markets saw the beginning of a drop in energy prices, which continued into 2023, although in 2023, oil prices became less volatile, as detailed in Section 1.6.7 above.

(d) Antitrust and Antitrust and increased competition: The Group is subject to competition restrictions that deal with, inter alia, restrictions on the scope of operations, prohibited practices and manner of pricing products and services. Under certain circumstances, the activity of the Group and its investees may be restricted due to the provisions of the Antitrust laws in various countries, in a way that may restrict the expansion of their operations or even require them to downsize and change their operations. The Partnership was declared a monopoly together with the other Tamar Partners, and severally, and despite having completed the sale of its remaining rights in the Tamar and Dalit leases, it might be considered a monopoly in the supply of natural gas in Israel due to being included in the register of monopolies and being a partner in the Leviathan Project. It is noted that restrictions and prohibitions may be imposed on a monopoly under the Economic Competition Law, and among other things the prohibition to refuse, for unreasonable reasons, to supply natural gas to customers, and prohibition on the adverse exploitation of its market status in a manner that may reduce business competition or cause public harm (for example, by setting unfair prices or different terms of engagement for similar transactions that could give certain customers an unfair advantage over their competitors). These restrictions could effect the ability to expand operations in Israel. Furthermore, in certain cases, the Group and its investees may be subject to approval of transactions by the Commissioner of Competition in Israel, which is liable to restrict and even prevent such transactions being carried out, or to require acting in accordance with the terms and conditions contained in merger permits which are granted or may be granted by him. Failure to comply with competition laws or claims of failure to comply with these laws, could lead to civil and criminal sanctions and the imposition of various restrictions on the Group's operations. Competition laws are, from time to time, subject to changes and interpretation, including being made more stringent.

In this regard, note the Market Concentration Law, as detailed in Section 1.16.2 above.

(e) Changes in foreign currency exchange rates The Company and its investees are affected by changes in foreign currency exchange rates, from several aspects: (a) from time to time the Company and some of its investees take loans denominated in currencies other than their functional currency; (b) the exchange rates may affect the business results of some of the investees whose expenses and investments and/or that receive proceeds from sales in currencies other than their functional currency; (c) changes in exchange rates could affect the value of the Company's investments in the share capital of overseas companies and the foreign currency loans it received, and could also expose the Company to risks from translation of exchange rates, if the operating currencies of its subsidiaries, according to which they prepare their financial statements, are foreign currencies. The Company is specifically exposed to USD and GBP exchange rate changes, which impact the values in the Company's financial statements.

Though the Company and its investees try, from time to time, to neutralize such currency risks by using various financial instruments, it is uncertain that they will succeed, and they may even undertake under such transactions to make various payments for hedging.

(f) Change in interest rates: The Group and/or its subsidiaries have loans at variable interest and therefore it is exposed to interest rate fluctuations, which could affect the Group's business results. For further details about the effect of interest rate changes in 2023, see Section 1.13.2 above.

(g) Economic slowdown and changes in the Group's markets: Changes in the markets in which it operates and an economic slowdown in those markets (particularly in the Israeli market) could have an adverse effect on the operations of the Company and its investees, as well as on the value and liquidity of their assets, the demand for their products and their revenues.

(h) Capital markets: Deterioration in the global capital markets could adversely affect the Group's operations. Changes in the prices of marketable securities held by the Group expose it to risks deriving, inter alia, from capital market volatility and will affect its ability to generate capital gains from the realization of its investments. Deterioration of the capital market in Israel and worldwide could have material impact on the operations of the Company and the securities that it holds, also with regard to its ability to raise capital and debt.

(i) Financing, credit restrictions and compliance with financial covenants: The Company and the Group companies have substantial financial liabilities, and a constant need for refinancing their operations when such liabilities reach repayment date. The deeds of trust (Series B36, B37 and B38) with the debenture holders require the Group to comply with financial covenants and other undertakings which could restrict the operations of the Group and its investees (such as restrictions on dividend distribution and on providing collateral), require the Group to set aside a portion of its cash flows to service the debt, limit its ability to borrow additional funds and could lead to a demand for immediate repayment of the liabilities and realization of collateral in the event that they are not met. The inability of the Group and/or its investees to obtain financing in the future by receiving loans or raising debt and capital, under good terms or non-receipt of dividends from investees, may lead to failure to comply with the terms and conditions of the deeds of trust and even lead to repayment of the debentures, prevent the expansion of the Group's operations, harm its current operations and lead to non-payment of dividends and even non-compliance with obligations to third parties. The availability and terms of financing sources are dependent on various factors, including the operating status, financial position, market conditions worldwide, capital market conditions and the ability and limitations of key financing bodies. In this regard, it is noted that regulatory changes that may in the future impose new restrictions on Group companies, which could, among other things, adversely affect the Company's ability to raise further debt, at favorable terms. The Group, through its subsidiaries, is required to invest in the development and production costs of their oil and gas reservoirs in the North Sea and in the acquisition of additional North Sea oil and gas assets. Its ability to finance the liabilities and to participate in future development plans and its general ability to continue developing additional assets depend mainly on (a) the cash flows generated from the producing assets; (b) access to credit facilities. Cash flow depends on a combination of several parameters, including the performance of the reservoirs and production costs, together with parameters that are not in the Group's control, such as the price of oil and gas and changes in the capital markets.

(j) The security and political situation: The security, economic and political situation in the Middle East in general and in Israel, Egypt, Cyprus and Jordan in particular, could affect the willingness of the countries and foreign entities, including in the Middle East, to engage in business relationships with Israeli organizations, including the Partnerships together with their partners in the various projects. Consequently, a deterioration in the security and political situation (whether domestically or internationally) in the Middle East and/or deterioration in the relationships between Israel and its neighbors in the relevant target markets, for security and/or political and/or economic reasons, may substantially impair the Partnership's revenues from its agreements for the export of gas to Egypt and Jordan, i.e. to Blue Ocean and NEPCO, which are its main customers, and also the Partnership’s ability to promote its business with these countries and entities, and to export gas to neighboring countries. Armed conflicts or acts of terror as well as security and political instability could harm the operations of the Group and its investees in Israel in a number of ways, including cause an Israeli economic slowdown which could adversely impact the scope of its operations and results; declines in the Israeli capital market which could adversely impact the Group's capital and debt raising ability, realization of its holdings and the value of its marketable holdings; harm the Group's employees in Israel and cause direct damage to the facilities of the Group and Partnership. Furthermore, the Group's ability to operate in various countries around the globe, particularly in Middle East countries, which do not recognize Israel is already, by nature, restrictive. Calls and actions to boycott Israeli companies (in enemy countries as well as in friendly countries) may also adversely affect the Group's operations in Israel and abroad. Similar to the foregoing, the Group is exposed to armed conflict, hostile acts and political instability in all the countries in which it operates.

(k) Changes in legislation and standards: Special laws apply to significant parts of the Group's operations. The Group's financial results could be affected by changes in legislation and standards in various areas, including tax law, competition laws, laws governing the obligation to issue tenders, laws regulating areas such as fuel, gas, telecommunications, control on prices of products and services, customs duty rates, consumer protection, etc. Furthermore, changes in the policy of the authorities operating by virtue of these laws is liable to affect the Group. Similarly, some of the Group's companies operate abroad and they are liable to be affected by changes in legislation, customs duty, regulatory proceedings and policy in the countries in which they operate.

A change in accounting regulations could affect the business results of the Group and its investees, and the ability of those investees to distribute dividends.

(l) Banking Supervision Department: The Company and some of its investees are subject to the Proper Conduct of Banking Business directives issued by the Banking Supervision Department in Israel, which include, inter alia, restrictions on the volume of loans that Israeli banks may extend to a single borrower and the largest borrower group in the bank (as these terms are defined in the aforementioned directives). In view of the foregoing restrictions, the scope of the loans assumed by the Group and its controlling shareholder may, under certain circumstances, impact the Group's ability to borrow additional sums from Israeli banks, and on its ability to make investments which require bank credit, or investments in companies which have taken large volumes of credit from certain Israeli banks.

(m) Licenses and concessions: Some of the investees operate on the basis of approvals, permits, licenses or concessions granted to them in Israel and abroad, in accordance with the law, by various authorities, inter alia the Ministry of National Infrastructures, Ministry of Energy, Ministry of Telecommunications and Ministry of Transport. Non-compliance with the terms of these approvals, permits, licenses or concessions could lead to the imposition of sanctions, fines and even cancellation of the relevant approvals by the competent authorities. Revocation of such approvals, permits, licenses or concessions may cause substantial harm to investees whose operations depend on these approvals. Some of these licenses and concessions have time limits and are renewable from time to time, all in accordance with the conditions and provision of the law and there is no certainty that these licenses or concessions will be renewed in the future. Non-renewal of such a license or concession may adversely impact the profitability of the company holding such a license or concession and consequently also on the Company's profitability.

(n) The environment: The Company's investees, particularly those in the oil and fuels sector, are exposed to various requirements laid down by the authorities in the matter of environmental protection in Israel and abroad. The other costs and resources necessary for complying with the environmental requirements are large. A change in legislation in this area or a change in the policy of the regulators may impact the profitability of the investees, and consequently also the Company's profitability and failure to comply with them may expose the Company to various sanctions, legal proceedings and loss of licenses. For information concerning the motion for certification of a class action that was filed with respect to environmental protection regarding land in Acre, see Note 21A3(2) to the Financial Statements.

(o) Raw materials, equipment and infrastructure: Some of the Company's investees are exposed to changes in the prices of raw materials, such as the fuel sector which is exposed to changes in fuel or crude prices. Changes in the prices of raw materials are liable to impact the profitability of investees and consequently also the Company's profitability. Moreover, the companies are dependent upon the proper conveyance and storage of the various raw materials (for example, proper operation of fuel pipelines and terminals) and access to various infrastructures. These may be affected as a result of various factors, such as labor strikes, security events, transport breakdowns, limited access to ports (particularly the two main ports in Israel) natural disasters, extreme climatic conditions, etc.

(p) Legal proceedings: Lawsuits have been filed against the Company and some of its investees, including class actions, in substantial amounts. If these companies are found liable in these legal proceedings or in any possible future legal action brought against the Company or its investees, this could adversely impact the Company's business results. Furthermore, the large number of legal claims against Company officers may lead to a significant increase in the tariffs for officers and directors insurance policies and difficulty in obtaining such policies. Failure to renew the officers' insurance policy or to renew on unsatisfactory terms may result in directors and senior officers resigning or refraining from serving in an existing position in the Company. For details concerning legal proceedings, also see Note 21 to the Financial Statements with regard to contingent liabilities.

(q) Salary and labor relations: Material changes in the minimum wage or other material changes in the labor laws are liable to affect the results of the Company's investees and consequently also the Group's business results. Furthermore, strikes and labor disputes in the investees or in the Group's countries of operation may adversely affect the business results of the Group.

(r) Restrictions on disposal of holdings: The Company and some of its investees are bound by legal and contractual restrictions which could inhibit the ability of the Company and its investees to dispose of these leases.

(s) Reliance on the results of investees and their cash flows: The Company's operating results depend, among other things, on the results of its investees. Both key investees are public companies. One is listed on the Tel Aviv Stock Exchange and the other on the London Stock Exchange. The companies operate independently, and their interests are not necessarily the same as those of the Company. The Company's sources of capital include profits distributed as dividends, management fees and repayments of loans to the Company by the investees.

Changes in the profit distribution policy of the Company's investees, changes in profitability (including those brought about by changes in accounting principles) and in the cash flows of these companies, and restrictions on the distribution of profits are liable to affect the Company's cash flows and its business operations, and therefore it is not at all certain that they will be able to make such payments in time when it is in need of the cash flows. Furthermore, the Company's ability to raise foreign finance relies, inter alia, on the value of its holdings in the investees of the Group.

(t) Insurance: Notwithstanding the fact that various risks involved in their business operations are insured by the investees, they are unable to protect against the materialization of all risks, including the risks specified above, and existing insurances are also limited in aspects such as scope of insurance, insurance exceptions, timing of insurance payments, and the ability of the insurance companies to meet their liabilities. Accordingly, it is possible that there will be no insurance cover, full of partial, for the materialization of various risks, including risks to the Group's employees and its facilities.

(u) Reputation and negative publicity: The reputation of the Group, its investees and part of their brands are attained over years and the success of the Group and its investees is dependent to some extent on its reputation. Negative publicity regarding the Group, its investees and their brands may adversely affect their reputation and the willingness of customers, suppliers, investors and others to engage with them. The Group's reputation is liable to be adversely affected, inter alia, by negative events connected with environmental and health issues, legal proceedings and claims pertaining to unethical and illegal conduct and various publicity, even if these are untrue.

(v) Competition: The Group's investees are exposed to competition in the natural gas segment, which could lead to decreasing prices of the products or services sold in their areas of activity as well as loss of market share, and could have a material adverse effect their revenues and profitability. For further details about competition in the energy sector in Israel, see Section 1.7.16 above, and in the Foreign Energy Segment, see Section 1.8.10 above.

(w) IT and cyber risks: The Group relies on IT systems for its various areas of activity. IT systems failures (including as a result of natural disasters, power cuts, unauthorized hacking of the information systems, acts of terror etc.) and inability to repair them quickly are liable enable unauthorized access to systems for improper exploitation of the Group's assets, disruption and/or harm to information, systems and/or infrastructure, harm to the operating activities of the support systems of the business operations, loss of information, material costs for rehabilitation of IT systems and to harm the Group's businesses. Such failures could, inter alia, cause loss of business information, loss of customers and suppliers, harm to reputation and significant costs for restoring the IT systems.

The Company worked with the assistance of its advisors to build an appropriate defense system against cyber attack risks and to have the ability to recover within a reasonable amount of time in the event of such an attack. As at the report approval date, the Company is taking measures to prevent and reduce exposure to the extent possible, by adopting and integrating information security systems, backup and advanced equipment, and consultation with external professionals. As a result, the Company has adopted an information security policy and information security procedures, including a personal responsibility procedure for information security and cyber attacks, and risk management in the supply chain. The Company conducting an internal review of information security risks and increasing employee awareness to the different cyber risks. The EVP and CFO is the party in charge of implementation of the information security policy and may appoint an Information and Cyber Security officer on his behalf (hereinafter in this section - the "**Officer**"). The said policy and procedures include reference to outsourcing and the supply chain, whereby in any engagement with an outside party, information security aspects are examined and such outside parties undertake and are required to comply with the Company's information security requirements. The Company conducted a cyber risk assessment survey from which the work plan according to which the Company operates derives, and resources have been allocated to mitigate the risks. The work plan is monitored and supervised by the Officer. In 2023, the cost of the investment in protection from cyber risks incurred by the Company amounted to approx. NIS 101 thousand, which constitutes 12% of the Company's total IT expenses.

(x) Failure to comply with the undertakings of third parties engaged with the Group: Failure to comply with undertakings of parties with which the Group is engaged or their failure to pay can expose the Group to losses.

(y) Impairment of securities: The Company is exposed to price volatility of the tradable securities that it holds. Among other things, as lump in capital markets abroad and in Israel, decrease in the operating results of companies in which the Company holds shares and a drop in oil prices could have adverse effect on the prices of the tradable securities held by the Group and affect the financial and accounting results of the holdings in these securities.

Breakdown of the Company's assessment of the types of risk factors and the degree of their impact on the Company's foregoing risk factors:

	Impact of risk factor		
	Major	**Moderate**	**Minor**
Macro risks			
The Iron Swords War	X		
Changes in foreign currency exchange rates	X		
Interest rate fluctuations		X	
Economic slowdown and changes in the markets in which the Group operates	X		
Capital markets	X		
Security and political situation		X	
Changes in legislation and standards	X		
Banking Supervision Department			X
Competition		X	
Impairment of securities	X		
Industry-specific risks			
Financing, credit restrictions and compliance with financial covenants		X	
Environmental issues		X	
Raw materials, equipment and infrastructure			X
Company-specific risks			
Licenses and concessions		X	
Development of the Group's gas operations	X		
Gas and oil prices	X		
Legal proceedings		X	
Salary and labor relations			X
Antitrust and increased competition		X	
Restrictions on disposal of leases		X	
Reliance on the results of investees and their cash flows	X		
Insurance		X	
Reputation and negative publicity			X
IT and cyber risks		X	
Failure to comply with the undertakings of the parties engaged with the Group		X	

The information relating to risk factors and their effect on the Company is forward-looking information as defined in the Securities Law. This information relies, inter alia, on the Company's assessments based on past experience and familiarity with the relevant markets in its operating segments and information regarding the relevant regulatory developments relating to the Company's areas of activity. The Company is liable to be exposed in the future to other risk factors and the effect of each risk factor, if it materializes, could be different to the Company's assessment. As noted, forward-looking information is based on information available to the Company on reporting date. The actual results could be materially different from the results estimated or implied from this information.

Chapter

B

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

March 26, 2024

Delek Group Ltd.

Board of Directors' Report on the State of the Company's Affairs
For the year ended December 31, 2023

The Board of Directors of the Delek Group Ltd. (hereinafter - the “Company" and/or the “Group"), hereby presents the Company's Board of Directors' Report for the year ended December 31, 2023.

A. The Board of Directors’ Explanations on the State of the Company's Affairs

1. Description of the Company and its business environment

A. The Company operates mainly through investees engaged in oil and gas exploration and production in Israel and abroad. In addition, as of the approval date of this report, the Company holds 100% of Delek Leviathan Overriding Royalties, approx. 25% in Delek Israel and approx. 24% in Delek Israel Properties, which operate in the gas stations, convenience stores and real estate properties segment, as well as 55% of the shares of Mehadrin Ltd.

The Company’s key strategy is to continue developing its core assets in the field of gas and oil exploration and production (Upstream Energy), by, among other things, improving the Group’s assets in the Mediterranean Sea (East Med) and in the North Sea, and maximizing their potential, as well as by assessing business opportunities that may unlock value in the Company's activity and constitute a growth engine for the Company’s continued activity.

Since the bulk of the Group's operations are in the energy industry, oil and natural gas prices (as well as the USD-NIS exchange rate and interest rates) have a material (positive or negative) impact on the Group's operating results, the value of its assets (both marketable and non-marketable), its equity, operating cash flows. In addition, the volatility of gas and oil prices affects the ability of the Company and its Staff Companies to receive dividends from investee companies and partnerships or the amount of the dividends.
For information about trends and events that have, or may have, an effect on the above parameters, see Section 6 below.

Subsequent to the balance sheet date, on March 13, 2024, the Israel Competition Authority published an updated list of significant non-financial corporations and a list of concentrated entities, and the Company has been removed from this list.

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 Energy" or the "Partnership"). As of approval date of the report, the Partnership engages mainly in exploration, development, and production of natural gas, condensate, and oil in Israel and Cyprus, and in the promotion of various natural gas-based projects, with the aim of increasing sales of natural gas produced by the Partnership. At the same time, the Partnership is assessing business opportunities for exploration, development, production, and marketing of natural gas, condensate, and oil in other countries, and is also assessing and promoting options for investments in renewable energy project as part of the collaboration with Enlight Renewable Energy Ltd., and is weighing options for entry into the sectors of hydrogen, including blue hydrogen, which is produced from natural gas, as a low-carbon alternative for energy consumers.

- Regarding the proposal received by the general partner from Abu Dhabi National Oil Company (ADNOC) P.J.S.C and BP Exploration Operating Company, on March 13, 2024, subsequent to the balance sheet date NewMed Energy and the committee announced in immediate reports that the committee and consortium agreed, against the background of uncertainty formed in the external environment, to suspend the discussions on the transaction. They also announced that the consortium re-expressed interest in the transaction, and that the process will be suspended until the discussions are renewed or the processes is terminated. It should be noted that there is no certainty that the discussions will be renewed or that an agreement will be reached in future, and there is no certainty regarding the terms and conditions of the agreement, if reached. For further information, see Note 9A(2)(c) to the Consolidated Financial Statements.

- In the reporting period, completion works in the Leviathan 8 well in the area of the I/14 Leviathan South lease were completed, and in June 2023, the well was connected to the subsea production system of the Leviathan Project and production began. In addition, in June 2023, the partners in the Leviathan Project made a final investment decision (FID) to install a third subsea transmission pipeline in the Leviathan Project, which will allow increased supply capacity from the reservoir.

- In July 2023, evaluation or development operations were completed in the A-3 (Aphrodite 3) well in the area of Block 12 in the exclusive economic zone of the Republic of Cyprus, according to the schedules and within the budget. For further details with respect of the reservoir’s development plan, see Note 11D to the Consolidated Financial Statements.

- In the reporting period, NewMed Energy distributed profits in the amount of USD 260 million. The Group's share in the distribution amount is approx. USD 142 million.

- As of March 18, 2024, subsequent to the balance sheet date, NewMed Energy declared a profit distribution of USD 60 million, which was distributed in April 2024. The Group's share in said profits is approx. USD 33 million.

- In October 2023, Delek Leviathan Overriding Royalty Ltd. competed refinancing, as part of which it repaid the balance of the debentures it issued in the past, in an amount of approx. USD 180 million (which should have been repaid in December 2023), through a loan taken from a consortium of banks that is repayable 4 years from withdrawal. It should be noted that the debentures were repaid without any early repayment fine. For further information, see Note 15E(3) to the Consolidated Financial Statements.

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 subsidiary in which the Group holds approx. 89% (indirectly), 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 the UK; furthermore, Ithaca serves as the operator in most of its assets.

- During 2023, Ithaca distributed a dividend of USD 266 million, as part of the dividend distribution policy Ithaca adopted under its IPO. The Company's share of this distribution is approx. USD 238 million (approx. NIS 873 million).

  In addition, subsequent to the balance sheet date, on March 20, 2024, Ithaca announced another dividend distribution under its distribution policy as described above, in the amount of USD 134 million. The Group's share in this distribution amounts to approx. USD 119 million (approx. NIS 430 million).

- In November 2023, the transaction was completed, under which Ithaca acquired all of Shell's rights (30%) in the Cambo Reservoir, such that following the acquisition, Ithaca holds 100% of the rights in the reservoir. Wholly owning the rights to the reservoir will provide Ithaca with full control over the development progress in the Reservoir. It should be noted that subsequent to the balance sheet date, in March 2024, the license was extended to March 31, 2026. For further information, see Note 11L(2) to the Consolidated Financial Statements.

- On September 27, 2023 the regulator in the UK (the North Sea Transition Authority - NSTA) announced its agreement to the development plan for the Rosebank Reservoir submitted by Ithaca and Equinor UK Limited, after making a final investment decision (FID) for the development of Phase 1 of the reservoir, at an estimated total investment of approx. USD 3.8 billion (100%) (Ithaca's share is approx. USD 760 million). Ithaca holds 20% of the rights in the reservoir and Equinor holds 80% of the rights and serves as operator in the reservoir.
  Rosebank is considered as the largest undeveloped oil reservoir on the UK Continental Shelf. According to the announcement of Ithaca, the development of Phases 1-2 are likely to produce contingent resources in an estimated amount of approx. 300 MMBBL of oil (MBOE), and in the development of Phase 1, the object of the current investment decision is estimated at approx. 245 MMBBL of oil (100%).

- In November 2023, Ithaca finalized the acquisition of an additional 40% of the Fotla Reservoir (as well as rights in another three exploration licenses). Subsequent to the completion of the Transaction, Ithaca holds 100% of the rights to the reservoir. It is noted that Ithaca is also the reservoir's operator (for further information about the transaction, see Note 11L(1) to the Consolidated Financial Statements).

- In addition, Ithaca continues to advance Stage B of the EOR project in the Captain field, which is intended to improve the flow rate of oil by injecting polymers into the wells, while applying it to other wells in the field. Injection of polymers in Stage B is expected to begin in the summer of 2024. Ithaca is also continuing technical-economic feasibility tests, including the FEED, to transition the field to the use of electrical energy.

- Ithaca is continuing the pre-FID works in various reservoirs. Such decisions regarding FID shall be made, if any, while considering all the relevant data as of the decision-making date with regard to each and every project, noting the price environment, the situation in the market, fiscal conditions, etc.

- Subsequent to the balance sheet date, on March 26, 2024, Ithaca entered into an exclusivity agreement with ENI under which ENI will transfer to Ithaca exclusivity rights to a potential business combination between the two companies. Under the business combination, Eni will transfer to Ithaca most of its oil and gas assets in the North Sea, in return for allocation of 38%-39% of Ithaca's share capital (such that Ithaca Group's holding rate decreased to approx. 54%). Completion of the transaction will be subject, among other things, to publication of specification by Ithaca, obtaining the approval of the general meeting of Ithaca shareholders, and receiving regulatory approvals.

Additional Activities

As part of the expansion of the Group's activities to other areas, in July 2023, the Group entered into an agreement for the acquisition of the entire holdings of Discount Investments Ltd. in Mehadrin Ltd. (hereinafter - "Mehadrin"), representing approx. 44.48% of the issued and paid-up share capital of Mehadrin, for a consideration of approx. NIS 249 million. The transaction was completed on August 17, 2023. In addition, subsequent to the balance sheet date, in January 2024, the Group completed a tender offer for the acquisition of an additional approx. 10.83% of the share capital of Mehadrin in consideration for approx. NIS 59 million. Subsequent to completion of the tender offer, the Group holds approx. 55% of the share capital of Mehadrin.

In the reporting period, the Group completed the attribution of the acquisition proceeds to the assets and liabilities of Mehadrin and as a result, recognized profit from a bargain acquisition in the amount of approx. NIS 124 million.

Mehadrin is a publicly-traded company whose shares are listed on the Tel Aviv Stock Exchange Ltd., and through companies which it controls, it holds (by ownership and lease), among other things, extensive land reserves (in an estimated scope of approx. 1,110 hectares), as well as logistics assets, including cold storage warehouses, packing houses and logistics centers in Israel and abroad. Mehadrin operates in four main operating segments: 1) agriculture; 2) refrigeration; 3) water; and 4) real estate.

It should be noted that, in addition to agricultural operations, which constitute Mehadrin's primary operations today, Mehadrin is exploring options to develop in additional fields, such as real estate (including by promoting/participating in programs of the Israel Lands Administration to convert Company land, with an emphasis on conversion for residential use, and promoting plans to improve its packaging facilities for use in logistics and employment) and the renewable energy domain (including the use of Mehadrin's land and land that it cultivates for the establishment of agrivoltaic projects and energy storage facilities).

Mehadrin's assets and liabilities are consolidated into the Group's financial statements as from the third quarter of 2023.

Exercise of options

A. In the reporting period, 250,072 Options (Series 12), 480,894 Options (Series 11), and 976 Options (Series 14) were exercised for 731,942 shares of NIS 1 par value each of the Company for a total consideration of approx. NIS 103 million.

B. As at February 20, 2023, the subsidiary partnership, Delek Financial Investments - Limited Partnership transferred 586,422 Company shares of NIS 1 par value that it held and the shares were canceled.

C. As at December 31, 2023, after these exercises and the cancellation of the treasury shares as set out in Section B above, the issued and paid-up share capital of the Company amounted to 18,507,711 shares of NIS 1 par value each. 81,284 Options (Series 14) are in circulation.

D. Subsequent to the balance sheet date until immediately prior to the financial statements' approval date, a total of 665 Options (Series 14) were exercised into 665 shares of NIS 1 par value each in the Company, for a total consideration amount that is negligible; after the exercise the Company's issued and paid-up share capital is 18,508,376 shares of NIS 1 par value each. Balance of options in circulation: 80,619 Options (Series 14).

Dividend

- On February 20, 2023, the Company's Board of Directors decided to distribute a dividend to the shareholders in the amount of NIS 450 million. The dividend was paid in March 2023.

- On May 30, 2023, the Company's Board of Directors decided to distribute a dividend to the shareholders in the amount of NIS 200 million. The dividend was paid in June 2023.

- On August 22, 2023, the Company's Board of Directors decided to distribute a dividend to the Company's shareholders in the amount of NIS 200 million. The dividend was paid in September 2023.

- On November 21, 2023, the Company's Board of Directors decided to distribute a dividend to the Company's shareholders in the amount of NIS 250 million. The dividend was paid in December 2023.

- Subsequent to the balance sheet date, on March 26, 2024, the Company's Board of Directors decided to distribute a dividend to the Company's shareholders in the amount of approx. NIS 250 million. The dividend will be paid in April 2024.

Debentures

- In February 2023, the Company completed an exchange tender offer under which NIS 834,923,664 par value Debentures (Series B31) and NIS 834,923,664 par value Debentures (Series B34) were exchanged for NIS 1,750,000,000 par value Debentures (Series B37), a new series issued by the Company. Debentures (Series B37) bear annual interest of 6.75%, payable by semi-annual payments. The principal of these debentures is payable in five annual payments starting January 31, 2025.

  Subsequent to completion of the above exchange tender offer, the Company carried out full early redemption of Debentures (Series B31 and B34), in consideration for payment of approx. NIS 1,022 million, and all the Debentures underlying the outline of 2021 were redeemed in full and all the provisions of the outline expired and were canceled.

- On September 6, 2023, the Company issued NIS 816,891,000 par value Debentures (Series B38) from a new series. The Debentures are not linked to the CPI and bear annual interest at rate of 6.52% per year, payable by semi-annual payments. The debenture principal will be repaid in five annual installments starting on October 31, 2025. The net issuance proceeds of the debentures (net of issuing expenses) amounted to approx. NIS 809 million, while approx. NIS 316 million of the proceeds of the was used for early repayment of Debentures (Series B35).

- In addition, subsequent to the balance sheet date, in January 2024, the Company completed a private placement for classified investors of NIS 515,000,000 par value Debentures (Series B38) by way of expansion of the series, in a consideration for approx. NIS 534 million. The entire proceeds of the issuance was used for the full early and final repayment of Debentures (Series B35).

- It is noted that the Debentures (Series B37 and B38) are rated A3.il with a stable outlook by Midroog.

For further information about the debentures issued by the Company see Note 16 to the consolidated financial statements and Chapter D to this report.

3. Results of operations

a) The net income attributable to the Company's shareholders in 2023 amounted to approx. NIS 1.6 billion, compared to a net income (net of profits from bargain acquisitions and adjustments for the new energy levy in the North Sea, as set out below) last year, totaling approx. NIS 2 billion. [The decrease in income as aforesaid is mainly due to a decrease in prices of oil and gas, which mainly affected activity in the North Sea, as detailed below. It should be noted that the net income in the corresponding period last year included profits from the bargain purchases of Marubeni and Siccar Point activities amounting to approx. NIS 4.4 billion and a loss due to deferred tax adjustments due to the entry into force of a new energy levy in the North Sea in the amount of approx. NIS 2.5 billion. Without deducting these profits and losses, the net income attributable to the Company's shareholders in 2022 amounted to approx. NIS 4 billion.

In the fourth quarter of 2023, the net income amounted to approx. NIS 79 million, compared with a loss of approx. NIS 788 million in the corresponding quarter last year. As set out above, the results of the fourth quarter of 2022 included a loss due to deferred tax adjustments due to the entry into force of the new energy levy in the North Sea in the amount of approx. NIS 1.4 billion. Without the effect of the levy, the results of the third quarter of 2022 would have amounted to a profit of approx. NIS 603 million.

It should be further noted that following the issuance of Ithaca's shares on the London Stock Exchange in November 2022, the Group's holding in Ithaca fell to approx. 89% and therefore there was a proportionate decrease in Ithaca's contribution to the net income attributable to the Company's shareholders (therefore, the Group held 100% of the capital of Ithaca).

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

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

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	2023	Q1 2022	Q2 2022	Q3 2022	Q4 2022	2022
Oil and gas exploration and production in and around Israel 1)	217	183	236	242	878	130	215	256	296	897
Oil and gas exploration and production in the North Sea [1)]	390	363	263	138	1,154	615	372	647	371	2,005
Contribution of continuing operations before discontinued operations and capital and other gains	**607**	**546**	**499**	**380**	**2,032**	**745**	**587**	**903**	**667**	**2,902**
Other profits, net, in the oil and gas sector [2)]	176	(63)	8	(231)	(110)	1,901	2,142	(1,206)	(1,377)	1,460
Finance, tax, and other income (expenses) [3)]	(222)	(77)	40 **)	(70)	(329)	(107)	(99)	(101)	(78)	(385)
Net income attributable to the Company's shareholders	**561**	**406**	**547 **)**	**79**	**1,593**	**2,539**	**2,630**	**(404)**	**(788)**	**3,977 (*)**

(*) Including the profit from a bargain purchase that was recognized in the first and second quarters of 2022 for the Marubeni and Siccar Point transactions, which amounted to approx. NIS 4,445 million and a loss due to the adjustment of deferred taxes due to the entry into force of the energy levy in the North Sea in the amount of NIS 2,490 million, which was recognized in the third and fourth quarters of 2022. Without the effect of the accounting entries, the net income in 2022 amounted to approx. NIS 2,022 million.

**) Restated following the completion of the attribution of the acquisition cost in Mehadrin and the recording of gain from a bargain acquisition in the amount of approx. NIS 124 million (see Note 9A(3) to the financial statements)

1) Not including profits or losses from impairment and derecognition of assets, revaluation of royalty rights, profits from bargain purchases, and other non-recurring profits and losses, as set out in Section 2 below.

2) In the reporting period, mainly including revenue from the settlement of a claim in the amount of approx. NIS 160 million, an impairment loss for the North Sea gas and oil assets, net of tax, in the amount of approx. NIS 271 million, while in the corresponding period last year, including mainly profit from bargain purchases for the Marubeni and Siccar Point transactions in the amount of USD 1.3 billion (approx. NIS 4,445 million), a loss for adjustment of deferred taxes with respect to the entry into effect of a new energy levy in the North Sea totaling NIS 2,490 million, and the amortization of oil and gas assets in Israel and the North Sea in the amount of approx. NIS 109 million.

3) In the reporting period, including finance expenses related to the exchange and early redemption of Debentures (Series B31, B34 and B35) of the Company amounting to approx. NIS 159 million (in the corresponding period last year and in 2022, finance expenses related to early redemption and exchange of the Company's debentures amounted to approx. NIS 44 million) and a gain on the bargain acquisition of Mehadrin totaling NIS 124 million. In addition, in the reporting year, profit from revaluation of a loan to acquirers of The Phoenix includes an amount of NIS 22 million (compared with a loss in the amount of NIS 4 million in 2022).

b) **<u>EBITDAX</u>** (NIS million) *)

The Group's EBITDAX in the reporting period totaled approx. NIS 9,190 million, as compared to approx. NIS 9,234 million in the same period last year, as detailed in the table below (NIS million):

	2023	2022		10-12/2023	10-12/2022
Oil and gas exploration and production in and around Israel	2,891	2,772		767	738
Oil and gas asset development and production in the North Sea	6,324	6,441		1,357	1,660
Other (income) expenses	(6)	21		14	16
Total EBITDAX	**9,209**	**9,234**		**2,138**	**2,414**

*) Profit before financing, taxes, depreciation and amortization, exploration and evaluation expenses and before non-recurring expenses and income. It should be noted that EBITDAX includes the Company's share in the results of associates, and profits (losses) arising from hedging transactions constituting economic hedging (even if they were not defined as accounting hedging), without premiums.

c) <u>Revenue (NIS million)</u>:

The Group's revenues in the reporting period totaled approx. NIS 12,330 million, as compared to approx. NIS 11,995 million in the same period last year, as detailed in the table below (NIS million):

	2023	2022		10-12/2023	10-12/2022
Oil and gas exploration and production in and around Israel	3,510	3,276		927	872
Oil and gas asset development and production in the North Sea	8,531	8,707		1,910	2,088
Other segments including adjustments	289	12		282	3
Total revenues	**12,330**	**11,995**		**3,119**	**2,963**

See also Note 30 to the financial statements - Information Regarding Operating Segments.

d) <u>Operating income (loss) (NIS million):</u>

	2023	2022		10-12/2023	10-12/2022
Oil and gas exploration and production in and around Israel	2,487	2,202		662	610
Oil and gas asset development and production in the North Sea	2,628	8,224		(334)	851
Other segments including adjustments	91	13		13	(7)
Total operating income	**5,206**	**10,439**		**341**	**1,454**

See also Note 30 to the financial statements - Information Regarding Operating Segments.

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

	2023	2022		10-12/2023	10-12/2022
Income	12,330	11,995		3,119	2,963
Cost of sales	5,915	5,195		1,852	1,324
Gross income	**6,415**	**6,800**		**1,267**	**1,639**
General and administrative expenses	271	257		93	138
Group's share in earnings of operating associates, net	34	37		31	26
Other income (expenses), net	(972)	3,859		(864)	(73)
Operating income	**5,206**	**10,439**		**341**	**1,454**
Finance income	621	298		248	97
Finance expenses	(2,013)	(1,583)		(386)	(264)
Profit before taxes on income	**3,814**	**9,154**		**203**	**1,287**
Income tax (tax benefit)	1,431	4,623		(46)	2,026
Profit (loss) from continuing operations	**2,383**	**4,531**		**249**	**(739)**
Profit (loss) from discontinued operations, net	**22**	**(14)**		**(22)**	**17**
Net income (loss)	**2,405**	**4,517**		**227**	**(722)**
					(722)
Attributable to -					
Company shareholders	1,593	3,977		79	(788)
Non-controlling interests	812	540		148	66
	2,405	**4,517**		**227**	**(722)**

f) Movement in comprehensive income (NIS million):

	2023	2022		10-12/2023	10-12/2022
Net income (loss)	**2,405**	**4,517**		**227**	**(722)**
Other comprehensive income (loss) from continuing operations (post-tax):					
Gain (loss) from cash flow hedges	346	76		168	153
Transfer to profit or loss from cash flow hedges	(258)	902		(43)	578
Adjustments from translation of foreign operations (*)	468	1,333		(888)	(106)
		2,311			(106)
Total other comprehensive income (loss) from continuing operations	**556**	**2,311**		**(763)**	**625**
Total comprehensive income (loss)	**2,961**	**6,828**		**(536)**	**(97)**
Attributable to:					
Company shareholders	2,014	5,859		(427)	(209)
Non-controlling interests	947	969		(109)	112
	2,961	**6,828**		**(536)**	**(97)**

(*) The Group has material investments in investee companies and an investee partnership whose functional currency is NIS the USD; thus, changes in currency exchange rates materially affect the Group's other comprehensive income or loss and the equity attributable to Company shareholders. In the reporting period, the USD appreciated by approx. 3.07% against the NIS, as compared to a gain of approx. 13.15% in the same period last year. It should be noted that subsequent to the balance sheet date and until shortly before the approval date of this report, there was no significant change in the USD exchange rate.

4. Financial Position

The Group's total assets increased in the reporting period by approx. NIS 0.8 billion, from approx. NIS 43.1 billion as at December 31, 2022 to a total of approx. NIS 43.9 billion as at December 31, 2023).

Principal changes in assets and liabilities as of December 31, 2023, compared with December 31, 2022:

Cash and cash equivalents and short-term investments

As at December 31, 2023, the Group had cash and short-term investment balances of approx. NIS 2.3 billion, consisting mainly of balances of approx. NIS 0.9 billion in the Company and staff companies, approx. NIS 0.6 billion in Ithaca, and approx. NIS 0.7 billion in NewMed Energy. It should be noted that the balance of cash and short-term investments as at December 31, 2022 amounted to approx. NIS 3.7 billion. The decrease in this item in the reporting period is mainly due to the use of the restricted deposits of NewMed Energy to repay Leviathan Bond Debentures in the amount of approx. NIS 1.5 billion during the period.

Current and non-current assets

The Group's total current assets (other than cash and short-term investments), amounted to approx. NIS 4.4 billion as at December 31, 2023, compared with NIS 3.9 billion as at December 31, 2022.

As at December 31, 2023, the Group's gas and oil assets totaled approx. NIS 26.5 billion, compared to a total of approx. NIS 26.6 billion as at December 31, 2022.
In the reporting period, Ithaca and NewMed Energy invested an amount of approx. NIS 2.4 billion in the oil and gas assets and adjustment of the decommissioning liability for assets in the amount of approx. NIS 0.6 billion, offset by amortization of these assets in the amount of approx. NIS 3.9 billion. Furthermore, an increase of approx. NIS 0.8 billion in the NIS value of the gas and oil assets was recorded as a result of the increase in the USD exchange rate in the reporting period.

The Group's other non-current assets (excluding the gas and oil assets) as at December 31, 2023 totaled approx. NIS 10.6 billion compared to a total of 8.9 as at December 31, 2022, an increase of approx. NIS 1.7 billion. This increase was mainly due to an increase of approx. NIS 0.5 billion in long-term deposits, first-time consolidation of Mehadrin's assets totaling approx. NIS 0.9 billion, as well as an appreciation of the USD against the NIS in the reporting period, which increased the NIS value of NewMed Energy's and Ithaca's long-term assets.

Short- and long-term liabilities

The Group's current and non-current liabilities as at December 31, 2023, amounted to approx. NIS 28.9 billion compared with NIS 30.2 billion as at December 31, 2022, a decrease of approx. NIS 1.3 billion.
Total financial liabilities (to banks and others and to debenture holders) in the consolidated balance sheet, as at December 31, 2023, amounted to approx. NIS 14.3 billion compared with approx. NIS 16.7 billion as at December 31, 2022, a decrease of approx. USD 1.6 billion. This decrease is mainly due to a decrease in Ithaca's total debt in the amount of approx. USD 500 million (approx. NIS 1.8 billion), repayment of Leviathan Bond Debentures by NewMed in the amount of USD 425 million (approx. NIS 1.5 billion), partially repaid by way of early repayment and partially on the original repayment date. This decrease was offset by an appreciation of the USD exchange rate, which affected the NIS value of USD liabilities of Ithaca and NewMed Energy.

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 21 to the consolidated financial statements.

5. Sources of Finance and Liquidity

The net financial debt of the Company and the staff companies as of December 31, 2023:[(1)]

	NIS million
Liabilities	
Debentures	(3,725)
Loan from a subsidiary for securitization of overriding royalties	(414)
Bank and other loans	(391)
Other liabilities	(92)
Total liabilities	**(4,622)**
Assets	
Cash and deposits	802
Restricted deposits	173
Deposits in the accounts of the debentures trustees	114
Seller's loan - The Phoenix transaction	200
Investment in a financial asset	2
Total assets	**1,291**
Financial debt, net	**(3,331)**

2 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.

6. Disclosure of events that affect, or may affect, the business environment in which the Group operates and their ramifications.

a) The Iron Swords War

In October 2023, the Iron Swords War broke out following the terror attack by Hamas on communities and military bases in the south of Israel, alongside attacks by Hezbollah on communities in the north of Israel. As at the report's approval date, the War is raging, and it is impossible to predict how long it will continue for and how it will affect the Group, particularly its business and assets in Israel.

Implications for gas and oil operations in Israel
Since the outbreak of the War and up to the approval date of the financial statements, production from the Leviathan Reservoir is continuing as usual, and accordingly, there was no significant impairment of the Partnership’s revenues and profitability. However, due to the said suspension of the production from the Tamar Reservoir, until November 13, 2023, the Leviathan Partners also supplied natural gas to several Tamar Reservoir customers on the local market, mainly the IEC, and as a result, the quantity of natural gas exported to Egypt decreased. In parallel, due to the War, the flow of gas in the EMG pipeline was suspended, and resumed on November 14, 2023. During that period, all gas supplied to Egypt was transmitted through the Jordan North export pipeline and the Jordanian transmission system. Transmission of gas to Egypt in this way involves extra transmission costs. As a result of the above, the quantity of natural gas supplied to Egypt in October and November 2023 constituted approx. 84% of the monthly contractual quantity which the Leviathan Partners undertook to supply under the export agreement.

In addition, as a result of the War, operating expenses involved in the production of gas increased at a non-material rate, mainly due to difficulty of foreign companies in sending work crews to the region, which led to an increase in shipping prices and the need for further logistics measures to transport personnel and equipment. Furthermore, scheduled maintenance measures were postponed, revised or adjusted in several projects advanced by Leviathan Partners.

Upon the occurrence of certain events, such as early termination of the export agreements and unrepaired physical damage to the Leviathan Project, if material adverse effect is caused, subject to remediation periods, qualifications and conditions, there is a risk of breach of the terms of the debentures of Leviathan Bond Ltd. (a wholly owned subsidiary of the Partnership), which are secured by the Partnership’s rights in the Leviathan Project, as well as the terms of the loan received by Leviathan Overriding Royalty Ltd. (a wholly owned subsidiary of the Group), secured by rights to receive royalties from the Leviathan Project, as outlined in Notes 15E(3) and 16E(2) to the consolidated financial statements, which may confer upon the debenture holders and lenders grounds for immediate repayment and realization of the collateral.

As at the approval date of the Financial Statements, there is a great deal of uncertainty and it is impossible to estimate how the War will develop, whether it will expand to other areas, how long it will last, and its results and implications. Under such circumstances, it is impossible to assess the likelihood that the risk factors due to the War will materialize and their possible impact, including the specific risk factors listed above, which if materialized, may have a material adverse effect on the Group, its assets and business.

b) Fluctuations in oil and gas prices due to geopolitical events

From the second half of 2022 and in 2023, oil and gas prices fell compared with the peak prices recorded in 2022, as a reaction of the markets to the Russia-Ukraine war.

The decline in energy prices is attributable, among other things, to indications of a global economic slowdown and fear of deepening of this slowdown, inter alia, due to the rapid rise of inflation that led to an increase in the base interest rate, as specified below. In addition, an unexpected drop in oil prices in the first half of 2023 and a relatively mild winter in Europe resulting in lower demand for gas also contributed to lower prices.

However, towards the end of 2023, due to the decrease in the supply of crude oil in the markets and due to the uncertainty related to the continuation of the Iron Swords War, along with fears of its expansion to additional arenas and the disruption of maritime trade routes due to Houthi attacks in the Red Sea, crude oil prices started to rise.

Since the bulk of the Group's operations are in the energy industry - through investee companies and partnerships - oil and natural gas prices (as well as the USD-NIS exchange rate and interest rates) have a material (positive or negative) impact on the Group's operating results, the value of its assets (both marketable and non-marketable), its equity, operating cash flows. In addition, the volatility of gas and oil prices affects the ability of the Company and its Staff Companies to receive dividends from investee companies and partnerships or the amount of the dividends.

To mitigate the effect of the volatile oil and gas prices on its cash flows, Ithaca hedges some of the expected sales, while balancing recognition of the importance of exposure to a possible price increase with hedging against their decrease. It should be noted that in 2023, average selling prices for oil after hedging amounted to approx. USD 82 per barrel, compared with USD 85 per barrel before hedging, and gas selling prices after hedging amounted to 139 pence/therm, compared with 97 pence/therm before hedging. The effect of the hedging transactions on Ithaca's revenues increased revenues in the reporting period by approx. USD 250 million, (compared to a decrease in revenues of approx. USD 558 million in the corresponding period last year).
For further information about the Group's exposure to gas and oil price volatility and about Ithaca's open hedging transactions as at the end of 2023, see Note 17A4(a) to the consolidated financial statements.

For information about the assessment of the recoverable amount of oil and gas assets in the North Sea as at December 31, 2023, which was performed, among other things, in view of the volatility in energy prices, and the goodwill attributable to the Group's activities in the North Sea, see Note 11B(5)(c) to the consolidated financial statements.

c) Inflation and increase in interest rates

Following macroeconomic developments worldwide, including the Covid-19 crisis and the war between Russia and Ukraine, inflation rates in Israel, the USA and other countries have risen, including in 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.

It should be noted that inflation resulted in an increase in oil and gas production costs and the equity investment costs of NewMed Energy and Ithaca. The Group companies closely monitor these costs to mitigate the effect. Furthermore, the price increase, as stated, may also impact the costs of future projects and drillings of the Partnership, NewMed Energy and/or Ithaca. Regarding the asset decommissioning liability in the North Sea, taking into account the long-term nature of the said liabilities and the historical inflation rates in the industry, Ithaca's management does not believe that the current inflationary pressures will have a material effect on liabilities in the short term.

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. For information about the Group's exposure to changes in interest rates for variable interest loans, see Note 17A(5) to the consolidated financial statements.

The impact of the interest rate increases on the Group’s financial position and results of its operations is evident mainly in assets and liabilities in the balance sheet that contain discounting components, including liabilities for decommissioning of assets, contingent consideration declared in business combinations and financial assets measured at fair value using the discounted cash flow method. Regarding sensitivity analyses of the discount rate changes in evaluating financial assets, see Note 17A to the consolidated financial statements. For information about sensitivity tests of discount rate changes in evaluating the amount of the decommissioning liability, see Note 20(1) to the consolidated financial statements.

The interest rate increase may affect the value in use of the Group's gas and oil assets and its goodwill. For information about the assessment of the recoverable amount of oil and gas assets as at December 31, 2023 and of goodwill, see Notes 13 and 11B(5) to the consolidated financial statements.

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

7. Analysis of operations by operating segment

a) Oil and gas production in and around Israel

As aforesaid, oil and gas exploration and production in and around Israel are carried out mainly through NewMed Energy.

Results of operation of oil and gas exploration and production in and around Israel, as included in the Group's consolidated results (NIS million):

	2023	2022		10-12/2023	10-12/2022
Revenues from gas sales net of royalties	**3,510**	**3,276**		**927**	**872**
Operating income (adjusted for impairment and losses on disposal of oil and gas assets (100%))	**2,487**	**2,334**		**662**	**610**
Impairment and depreciation of oil and gas assets (100%)	-	(132)		-	-
EBITDAX	**2,891**	**2,772**		**767**	**738**
Finance expenses, net	(403)	(282)		(163)	(95)
Income tax	(506)	(324)		(116)	13
Net income attributable to Group shareholders	**878**	**906**		**214**	**312**

The following table presents gas quantities (100%) sold in the reporting period, from the Leviathan Reservoir, by customer location:

2023 - (BCM)			
Israel	**Jordan**	**Egypt**	**Total**
2.0	**2.7**	**6.3**	**11.0**

2022 - (BCM)			
Israel	**Jordan**	**Egypt**	**Total**
3.8	**2.7**	**4.9**	**11.4**

(*) The figures are rounded to one tenth of one BCM.

Analysis of the Operating Results of Oil and Gas Exploration and Production in and around Israel, as reflected in the Group's results

In the reporting period, the operating results of oil and gas exploration in and around Israel amounted to a net income of approx. NIS 878 million compared with a net income of approx. NIS 906 million in the corresponding period last year.

The decrease in income was mainly due to the decrease in USD-denominated income from the sale of natural gas from the Leviathan Reservoir (as outlined below) and a decrease in finance income from revaluation of royalties and receivable debt with respect to the Karish and Tanin leases and an increase in income tax expenses. On the other hand, there was an appreciation in the USD in the reporting period compared with the corresponding period last year, which offset or mitigated some of the effects.

In the fourth quarter of 2023, the operating results of oil and gas exploration in and around Israel amounted to a net income of approx. NIS 214 million, compared with a net income of approx. NIS 312 million in the corresponding quarter last year. The decrease in income is due to the reasons described above.

Revenues from gas and oil sales, net of royalties

In the reporting period, revenues from the sale of gas and oil, net of royalties, amounted to approx. NIS 3,510 million compared with an amount of approx. NIS 3,276 million in the corresponding period last year.

In the fourth quarter of 2023, revenues from gas and oil sales net of royalties amounted to approx. NIS 927 million, compared to approx. NIS 872 million in the corresponding quarter last year.

It should be noted that in the reporting period and in the fourth quarter of 2023, revenues from gas sales in USD decreased by approx. 4%. The decrease was mainly due to the decrease in natural gas quantities sold from the Leviathan Reservoir (approx. 11.4 BCM (100%) last year compared with approx. 11.0 BCM (100%) in the reporting period) and due to the decrease in the average price per therm compared with the corresponding periods last year, from approx. USD 6.17 last year to approx. USD 6.11 in the reporting period.
The decrease in the quantities sold was due to the decrease in sales in Israel following the commencement of production from the Karish Reservoir, offset by an increase in the export of natural gas to Egypt. The decrease in the average price of natural gas was mainly due to the decrease in the Brent barrel price in 2023 compared with 2022, to which some of the agreements for natural gas sales are linked.
The increase in NIS revenue in the reporting period and in the fourth quarter of 2023 is due to an appreciation of the USD in these periods, offset by the decrease in USD revenue.

It should be noted that since the outbreak of the War and up to the approval date of the report, production from the Leviathan Reservoir is continuing as usual, and accordingly, there was no significant impairment of the Partnership's revenues and profitability.

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

In the reporting period, operating income amounted to approx. NIS 2,487 million compared with approx. NIS 2,334 million in the corresponding period last year.

In the fourth quarter of 2023, operating income amounted to approx. NIS 662 million, compared with approx. NIS 610 million in the corresponding quarter last year.

The increase in operating income in the reporting period and in the fourth quarter of 2023 is mainly due to an appreciation of the USD in the aforementioned periods, partially offset by an increase in gas transmission and transportation expenses to Egypt due, among other things, to the increase in quantities of gas sold to Egypt.

Finance expenses, net

In the reporting period, net finance expenses amounted to approx. NIS 403 million, compared with net finance expenses of approx. NIS 282 million in the corresponding period last year.
The increase in finance expenses, net in the reporting period, is mainly due to a decrease in income from revaluation of royalties and debt for the Karish and Tanin leases totaled approx. NIS 22 million compared with revaluation of approx. NIS 209 million in the corresponding period last year, as well as an appreciation of the USD compared with the corresponding period last year. The increase was partially offset by the decrease in finance expenses compared with the corresponding period last year, which was mainly due to buyback and repayment of the first series (2023) of Leviathan Bond during the first half of 2023.

In the fourth quarter of 2023, net finance expenses amounted to approx. NIS 163 million, compared with approx. NIS 95 million in the corresponding quarter last year. Finance costs were up, mainly due to the aforesaid reasons.

Income tax

Income tax in the reporting period amounted to approx. NIS 506 million, compared to approx. NIS 324 million in the same period last year. The increase was mainly due to the fact that tax expenses last year included an update of deferred taxes due to the change in the estimate of the tax base for other long-term assets due to the change in the expected recoverable value of a financial asset and the effect of the appreciation of the USD in the reporting period compared with the corresponding period last year.

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

	2023	2022		10-12/2023	10-12/2022
Net income from NewMed Energy's financial statements	**1,597**	**1,587**		**390**	**494**
% of indirect holdings	54.7%	54.7%		54.7%	54.7%
Group's share	**873**	**868**		**213**	**270**
Income tax	10	40		5	40
Revenues from overriding royalties	52	53		14	12
Results of direct holdings in Yam Tethys (4.44%)	-	(8)		-	-
Amortization of excess costs *)	(33)	(37)		(8)	(9)
General and administrative expenses	(12)	(14)		(1)	(2)
Finance expenses, net	(12)	4		(9)	1
Contribution to net income from oil and gas exploration and production operations	**878**	**906**		**214**	**312**

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

For more information on oil and gas exploration and production in and around Israel, see Notes 9A(2), 11 and 21A(1) to the consolidated 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 oil and gas assets and assets under development.

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

Balance sheet (in USD million)

	December 31, 2023	December 31, 2022
Cash and cash equivalents	153	254
Other current assets	693	735
Investments in oil and gas exploration and production	3,728	4,072
Other assets, net (mainly deferred taxes)	771	690
Goodwill	829	829
Total assets	**6,174**	**6,580**
Current liabilities (trade payables, payables, derivatives and other)	1,072	1,251
Bank loans and debentures	718	1,214
Other long-term liabilities (mainly in respect of an asset decommissioning liability)	2,012	1,838
Equity attributable to Ithaca's shareholders	**2,372**	**2,277**
Total liabilities and equity	**6,174**	**6,580**
Part of Ithaca's equity attributable to Group shareholders	**2,079**	**2,029**

Income Statement (in USD million)

(in USD millions)	2023	2022		10-12/2023	10-12/2022
Income	2,320	2,598		500	597
Cost of sales (excluding depreciation expenses and movement in the oil and gas inventory)	(581)	(560)		(129)	(155)
Depreciation expenses	(693)	(595)		(190)	(195)
Change in oil and gas inventory	4	(130)		(24)	40
Gross income	**1,050**	**1,313**		**157**	**287**
Gain from a bargain purchase	-	1,324		-	-
Impairment of gas and oil assets	(347)	(107)		(244)	(31)
General and administrative expenses and other income (expenses), net	16	(77)		(13)	(29)
Finance income (expenses), net	(145)	(195)		26	10
Pretax income	**574**	**2,258**		**(74)**	**237**
Tax expenses	(252)	(1,249)		51	(578)
Net income (loss) attributable to Ithaca's shareholders	**322**	**1,009**		**(23)**	**(341)**
Net income (loss) attributable to Ithaca's shareholders, net of profit from bargain purchases and adjustments for energy levies	**322**	**451**		**(23)**	**103**
Net income (loss) attributable to the Group's shareholders	**287**	**1,053**		**(20)**	**(297)**
Output in the reporting period (in millions) (MMBOE)	**25.6**	**26.1**		**6.2**	**7.5**
Average daily output (KBoed)	**70.2**	**71.4**		**67.4**	**81.1**

EBITDAX (in USD million)

USD million	2023	2022		10-12/2023	10-12/2022
Revenues from the sale of gas and oil *)	**2,304**	**2,615**		**514**	**603**
Movement in gas and oil inventory, royalties and oil tanker costs	**(5)**	(158)		**(14)**	34
Revenues, net from production during the period	**2,299**	**2,457**		**500**	**637**
Operating expenses (OPEX)	(524)	(496)		(115)	(141)
Current administrative and general expenses, exchange rate differences, and impairment of inventory	(52)	(45)		(30)	(18)
EBITDAX	**1,723**	**1,916**		**355**	**478**

*) Not including premiums for hedging transactions and revenues of Ithaca other than from the sale of gas and oil.

Additional data concerning Ithaca's results

Income

Ithaca's revenues in the reporting period totaled approx. USD 2,320 million, as compared to revenues of approx. USD 2,598 million in the same period last year.

The decrease in revenue is mainly due to the decrease in oil and gas prices in the reporting period compared with prices in 2022. Average selling prices for oil (prior to the hedging) went down to approx. USD 85 per barrel in the reporting period, from USD 100 per barrel in the same period last year; in the corresponding period last year, gas selling prices (prior to the hedging) went down to 97 pence/therm, from 213 pence/therm last year. However, the effect of these price decreases 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 increased revenues in the reporting period by approx. USD 250 million, (revenues were down by approx. USD 558 million in the corresponding period last year). Selling prices for oil after hedging amounted to approx. USD 82 per barrel in 2023 and selling prices for gas after hedging amounted to approx. 139 pence/therm.

Output in the reporting year totaled approx. 25.6 MMBBL (70.2 mbbl/day, on average), as compared to approx. 26.1 MMBBL in the corresponding period (approx. 71.4 MBBL/day, on average). The decrease is due to interruptions in production mainly due to planned maintenance in the third quarter of 2023 and due to certain production problems in reservoirs not operated by Ithaca.

Income during the fourth quarter of 2023 was approx. USD 500 million, compared to approx. USD 597 million in the corresponding quarter last year. The relatively low revenues in the current quarter reflect a decrease in the average daily output, from 81.1 mbbl/day in the corresponding quarter last year to 67.4 mbbl/day in the current quarter, and a decrease in the selling price of oil and gas compared with the corresponding quarter.

Cost of sales

In the reporting period, cost of sales (excluding depreciation expenses and inventory movements) totaled approx. USD 581 million, as compared to approx. USD 560 million in the same period last year. The increase in cost of revenue is due to the increase in the volume of operations as a result of the acquisition of Marubeni and Siccar Point operations in 2022.

The average operating production expenses (OPEX) per barrel in the reporting period was approx. USD 20.5 (compared to approx. USD 19 per barrel in the corresponding period last year), with the increase of cost per share primarily attributed to inflationary effects and scheduled suspension due to maintenance works during the third quarter, as aforesaid.
After production stabilized, the average cost per barrel in the fourth quarter of 2023 dropped to approx. USD 18.5 per barrel for the fourth quarter, similar to the corresponding quarter.

Depreciation and amortization in the reporting period totaled approx. USD 693 million, as compared to approx. USD 595 million in the same period last year. The increase is mainly due partially to the acquisition of Marubeni and Siccar Point in 2022.

EBITDAX

The EBITDAX of Ithaca decreased in the reporting period to USD 1,723 million compared with USD 1,916 million in the corresponding period last year. The decrease in EBITDAX is due to a decrease in oil and gas prices and an increase in production costs per unit as described above.

Hedges on oil and gas prices

As part of its risk management strategy, Ithaca hedges oil and gas prices. As at December 31, 2023, Ithaca had open hedging transactions on oil prices amounting to approx. 4.7 MMBBL at an average hedged price of approx. USD 78 per barrel, and open hedging transactions on gas prices amounting to approx. 3.5 million BOE oil at an average hedged price of approx. 135 pence/therm. As at December 31, 2023, the value of these hedges reflects an asset of approx. USD 152 million (approx. NIS 552 million).

Impairment of gas and oil assets

In 2023, the Group recognized impairment of oil and gas assets in the North Sea (mainly GSA and Alba) and recorded amortization of some exploration and evaluation assets in the amount of approx. USD 347 million (pretax) (2022 - USD 107 million). The effect after tax of the impairment on the net income attributable to the Company's shareholders amounted to approx. USD 72 million in the reporting year and approx. USD 54 million in the fourth quarter of 2023. The impairments were mainly due to a decrease in forecasts for oil and natural gas prices in the short term and changes in future resources in some of the reservoirs. For further information about the provision that was recorded, see Note 11L(5) to the consolidated financial statements.

General and administrative expenses and other income (expenses), net

During the reporting period, the item included, among other things, revenue from the settlement of a claim filed by Ithaca regarding one of its past acquisitions in the amount of approx. USD 51 million. On the other hand, in the corresponding period last year, the item included non-recurring expenses in connection with the Siccar Point and Marubeni acquisitions.

Finance expenses, net

Net finance expenses in the reporting period amounted to approx. USD 145 million compared with approx. USD 195 million in the corresponding period last year. The decrease in net finance expenses is mainly due to revaluation gains in the reporting period of derivative financial instruments that are not accounted for as an accounting hedge.

For more information on oil and gas exploration and production operations in the North Sea, see Notes 9A(1), 11 and 21A(3) to the consolidated financial statements.

B. Aspects of Corporate Governance

1. Corporate responsibility and philanthropy

The Delek Group is committed to principles of corporate responsibility in both social and environmental aspects.
The Company joined the national effort immediately after the events of October 7, 2023, and in November 2023, the Company's board of directors approved the Iron Swords War Donation Procedure, according to which a donation budget of NIS 10 million was approved for war-related requirements. Up to the publication date of the report, the Group donated a total of approx. NIS 1,155 thousand out of the approved amount, and it is expected to participate in a series of additional projects, within the approved budget, which are expected to be realized in 2024, and which will be related, among other things, to support and assistance for soldiers in regular and reserve units, the residents of the Gaza border in the south, and the evacuated residents on the northern border.
Additionally, in 2023, the Company donated approx. NIS 1,200 thousand to organizations and associations to advance the needs of the community, education, heritage, sports, and culture.

2. Compliance plan

In November 2012, the Company adopted an internal securities compliance plan, based on the criteria issued by the Israel Securities Authority. This included the preparation and/or review of existing procedures, and appointment of an internal compliance officer and a compliance committee. In March 2016, the Company's Board of Directors approved an update to the internal compliance program, based on an updated compliance survey conducted by the Company, and an update to the procedures based on legislative changes and the results of the said survey. In April 2020, the Company's compliance survey was revised, and in March 2022, the Board of Directors approved a revision of the Company's compliance program, to procedures and to the Company's Code of Ethics.

3. Directors with accounting and financial expertise and independent directors

a) The Company's Board of Directors has determined that there shall be a minimum of two directors having accounting and financial expertise, as the Board of Directors believes the above minimum number allows the Board of Directors to fulfill its duties by law and pursuant to the Company's constituent documents in all matters pertaining to examination of the Company's financial position and the preparation and approval of its financial statements. As of the financial statements' approval date, the Company has 5 directors, of which 2 have accounting and financial expertise.

Furthermore, according to Company procedure, the Company's independent auditor is invited to attend all Board of Directors meetings in which the financial statements are discussed, and the auditors are at the Board of Directors' service to provide any explanation and clarification required in connection with the financial statements.

b) The directors with accounting and financial expertise are:
Ms. Ruth Dahan-Portnoy (external director) - on August 25 2020 Ms. Ruth Dahan-Portnoy was appointed an external director in the Company, having accounting and financial expertise. On May 9, 2023, the Company's general meeting approved the appointment of Ms. Dahan Portnoy for an additional 3-year term of office starting on August 25, 2023.
Mr. Udi Erez (Chairman of the Board) - on June 29, 2020, Mr. Udi Erez was appointed a Company director. Based on Mr. Udi Erez' declarations, the Company's Board of Directors has determined that he constitutes a director having

accounting and financial expertise. On April 1, 2022, Udi Erez was appointed as chairman of the Company's board of directors.
For information concerning their relevant experience and education, see Regulation 26 in Chapter D of the periodic report.

c) Independent directors - Mr. Roni Milo is serving as an independent director. However, it is noted that the Company has not adopted the "provisions on the percentage of independent directors" as defined in Section 219(e) of the Companies Law. It should be noted that on March 31, 2024, Mr. Milo will complete a 9-year term of office in the Company and accordingly, he will no longer serve as an independent director and will become a regular director.

4. Disclosure concerning the Company's internal auditor

a) The internal auditor as of the reporting date

1) Name of internal auditor: Gana Gali

2) Start of tenure: January 1, 2016

3) Qualifications:
CPA, BA in business administration with a major in accounting, and MA in public administration and internal auditing, CISA, CIA, CRMA, CRISC and CDPSE certified.

4) The internal auditor complied with the conditions specified in Sections 3(a) and 8 to the Internal Auditing Law, 1992 (hereinafter - the "**Internal Auditing Law**") and Section 146(b) to the Companies Law, 1999 (hereinafter - the "**Companies Law**").

5) The internal auditor is not a Company employee, but rather provides it with internal auditing services as an outside service provider. In addition, the internal auditor provides the Company services to review the effectiveness of internal controls over the Company's financial reporting (ISOX), based on controls defined by the Company. The internal auditor is a partner in Rosenblum Holtzman, CPAs.

6) The internal auditor does not perform any other function in the Company other than that of internal auditor.

7) The internal auditor also serves as internal auditor for NewMed Energy and the general partner in NewMed Energy (his tenure as internal auditor in these companies does not cause conflicts of interest with his duties as internal auditor for the Company).

8) The internal auditor is not an interested party in the Company, nor is he a relative of an interested party in the Company, nor is he the independent auditor or any person acting on its behalf.

9) The internal auditor does not hold any securities issued by the Company or its related entities.

b) Method of appointment

Mr. Gana's appointment as internal auditor was approved by the Company's Board on November 26, 2015 following the recommendations of the Company's Audit Committee, after the latter found Mr. Gana to possess the necessary qualifications to perform his duties, among other things, in light of his expertise and vast experience in internal auditing, and after Mr. Gana declared that he meets all the qualification requirements required to perform his duties as internal auditor by law, and bearing in mind, among other things, the Company's profile, its size, and the scope and complexity of its operations.

c) Internal auditor's superior

The internal auditor reports directly to the Company's chairman of the board.

d) Work plan for the reporting year

The internal auditor in the Company follows an annual work-plan coordinated with the Chairman of the Board and the Company's CEO and with the Audit Committee's approval.
The work plan leaves the internal auditor room for discretion to deviate from the plan, subject to formal approval from the Audit Committee.

Considerations in determining the internal auditing work plan

The annual work plan was formulated, inter alia, based on the following: the risks underlying the Company's operations, previous experience, opportunities for streamlining and savings, regulation of Company operations, and review of the implementation of previous audit report recommendations.

The work plan is built, among other things, based on a risk survey prepared by the internal auditor and which was approved by the Audit Committee in 2023.

The work plan includes various regulatory matters which are examined every year, bearing in mind that the Company holds investees, and that its main investees employ separate internal auditors and maintain independent audit committees. The annual audit plan is proposed by the internal auditor. Special emphases are occasionally added by the Audit Committee.

Transactions listed under Section 270 of the Companies Law, which were carried out in the reporting year, are examined by the internal auditor as part of his annual work plan. Furthermore, the internal auditor reviews other material transactions as per the annual audit plan.

As the Company maintains holdings in investees, the audit plan is comprised of two main parts:

1) Audit of the Company's own operations (including, inter alia, compliance with procedures, cost control, management of Company funds, reporting procedures, statutory compliance and control over execution of resolutions).

2) Periodic monitoring of internal auditing in investees, as set out below.

e) Auditing of material investees

Internal auditing includes ongoing monitoring of adequate and proper internal auditing activities in all of the Company's investees.
All of the Company's material investees employ internal auditors (as in-house employees or through outsourcing). Audit reports are discussed by the audit committees and/or by the boards of directors of these corporations, which include directors also serving as Company officers.

f) Scope of employment

In 2023, the number of working hours of the internal auditor and the other internal auditors outsourced or employed in-house by the Company and in the internal audit of the subsidiaries amounted to approx. 1,950 annual working hours in Delek Group, NewMed Energy, and Ithaca.

The Company's Board of Directors believes that the internal auditor's work plan and the number of work hours allocated for its implementation, meet the Company's needs. The Company can expand the scope of internal auditing activities if necessary.

5. Independent Auditors' Fees

	2023		2022	
	Auditing and tax services	Other services	Auditing and tax services	Other services
	NIS thousands			
The Company and wholly owned staff companies				
Brightman Almagor Zohar & Co.	2,430	-	2,030	-
Other consolidated companies:				
NewMed Energy – Limited Partnership				
Kost Forer Gabbay and Kasierer, and Ziv Haft serve as joint independent auditors for NewMed Energy Limited Partnership	1,093	542	1,805	1,271
Ithaca Energy Limited				
Deloitte & Touche LLP, UK	5,943	756	4,602	15,768
Delek Overriding Royalty Leviathan Ltd.				
Brightman Almagor Zohar & Co.	150	-	150	-
Mehadrin Ltd. *)				
Brightman Almagor Zohar & Co.	584	-	-	-

*) For the period starting on the date of acquisition of control (August 17, 2023) only.

6. Disclosure on the financial statements' approval process

The Company's Board of Directors is the corporate organ charged with overall supervision and approval of the financial statements.

7. Classification of Negligible Transactions

On August 30, 2009, the Company's Board of Directors resolved to adopt guidelines and principles for classifying a transaction as a negligible transaction in keeping with the Securities Regulations (Periodic and Immediate Reports), 1970 (hereinafter - the "**Reporting Regulations**"), both as regards transactions with interested parties listed in the financial statements, and as regards controlling shareholder transactions.

The Company's Board of Directors has determined that a transaction will be deemed negligible if it meets all of the following conditions:

a) Its value does not exceed 0.1% of the Company's equity net of non-controlling interest, as stated in the Company's most recent annual financial statements.

b) It does not constitute an extraordinary transaction (as defined in the Companies Law).

c) The transaction is also qualitatively negligible.

d) In long-term transactions (e.g. - multi-year property leases), the negligibility of the transaction will be examined on an annual basis (for example - does the annual lease exceed the aforesaid amount).

e) In insurance transactions, the premium will be examined as representing the transaction's value, as opposed to the scope of the insurance coverage provided.

f) Each transaction will be examined individually, but the negligibility of related or contingent transactions will be examined in aggregate.

g) Where a question arises concerning the application of the above criteria, the Company will exercise judgment and will examine negligibility based on the aim of the reporting regulations and guidelines above.

On December 28, 2014, June 15, 2017, and May 29, 2019, the Company's Audit Committee decided to update the Company's negligible transactions procedure, and add the following:

Any transaction in which the Company signs joint agreements to receive consulting services from employees or third parties in various matters including, but without limitation: law, regulation, finance and/or investments, tax and media, will be considered negligible if it meets all the rules set forth in the Company's negligible transactions procedures, provided that expenses for the transaction do not exceed NIS 2 million, and the terms of the transaction for the Company are no different than its terms for the associate or the controlling shareholder, pro rata. For multi-year transactions, compliance with negligible value will be tested on an annual basis (for each calendar year). For example, in a long-term contract, scope of employment will be measured using the annual consultancy fees/wages.
Each year, the Audit Committee will check that transactions specified in this report meet the above non-significance criteria.

C. Disclosure relating to the Corporation's financial reporting

1. Critical accounting estimates

For information about critical accounting estimates, see Note 2B to the annual financial statements.

2. Events subsequent to 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

1. Information on debentures issued by the Company as at December 31, 2023:

Series	Issue date (including expansions)	Par value Original	Par value balance as of December 31 , 2023	Nominal interest rate	Linkage terms	Carrying amount as at December 31, 2023	Interest accrued in the books of accounts as of December 31, 2023	Repayment dates (principal/ interest)	Market cap as of December 31, 2023	Trustee
B35	6/2021 7/2021 11/2021 12/2022	900	509	7.2%	Non-linked	507	-	Repaid by way of early repayment in January 2024	529	Mishmeret - Trusts Services Company Ltd., 48 Menahem Begin St., Tel Aviv, Tel: 03-6374335/4, Atty. Rami Katzav, CPA.
B36	10/2021 12/2021 12/2022	577	577	6.2%	Non-linked	576	6	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	583	Reznick Paz Nevo Trustee Company Ltd., 14 Yad Harutzim St., Tel Aviv. Tel: 03-6389200, Michal Avtalion-Rishoni, Adv.
B37	2/2023	1,750	1,750	6.75%	Non-linked	1,826	50	Interest payments on July 31 and January 31 (first payment - July 31, 2023) and principal payments on January 31 in each of the years 2025-2029	1,863	Hermetic Trust (1975) Ltd. 113 Hayarkon St. Tel Aviv. Tel: +972-3-5274867, Dan Avnon
B38	9/2023	817	817	6.52%	Non-linked	827	17	Interest payments on April 30 and October 31 (first payment - April 30, 2024) and principal payments on October 31 in each of the years 2025-2031	864	Mishmeret - Trusts Services Company Ltd., 48 Menahem Begin St., Tel Aviv, Tel: 03-6374335/4, Atty. Rami Katzav, CPA.

*) On July 18, 2023, Midroog Ltd. rating agency announced that it is upgrading the rating of Debentures (Series B37) issued by the Company, from Baa1.il to A3.il with stable outlook. For more information, see the Company's immediate report dated July 18, 2023 (Ref. No. 2023-15-081717), the details of which are included herein by way of reference. In addition, on September 5, 2023, rating agency Midroog Ltd. announced that it is rating Debentures (Series B38) issued by the Company at A3.il with stable outlook. For more information, see the Company's immediate reports of September 5, 2023 (Ref. No.: 2023-01-084145), included here by way of reference.

2. Financial covenants of the debentures as at December 31, 2023

(1) Under the deeds of trust of Debentures (Series B35 and B36), the Company undertook as follows:

(a) As long as the Debentures (Series B35 and 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 debenture series; 2) when creating the floating lien in favor of the third party, creation of a floating charge in favor of the debenture holders, 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 debenture holders, all in accordance with the terms and conditions set out in the deed of trust. As of September 30, 2023, the Company is in compliance with its obligation.

(b) The Company undertook to comply with the following financial covenants:

- The Company's equity will not fall below NIS 1,600 million for two consecutive quarters according to its audited or reviewed consolidated financial statements, as applicable.
- The Company's equity will not fall below 12.5% of its total assets for two consecutive quarters according to the Company's audited or reviewed separate financial statements, as applicable. As of the review date, which is the publication date of the financial statements as of March 31, 2023, and at each of the following review dates, the said ratio will not fall below 15% for two consecutive quarters.

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

(d) The deeds of trust sets out grounds for immediate repayment of Debentures (Series B35 and 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); material business deterioration of the Company; 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.

(e) In addition, the deed of trust set out events, which, if they occur, the interest rate on the debentures will be adjusted, as follows: 1) if the Company's equity falls below NIS 1,650 million according to its audited or reviewed consolidated financial statements, as the case may be, or the equity to total assets (separate) ratio falls below 16%, the interest rate will increase by 0.25% for each breached covenant.

Debentures (Series B35 and B36) are secured by a lien on NewMed Energy participation units. It should be noted that subsequent to the balance sheet date, in January 2024, Debentures (Series B35) were repaid in full ahead of the repayment date.

(2) The Company's obligations under the deed of trust of Debentures (Series B37):

Under the deeds of trust of Debentures (Series B37), the Company undertook as follows:

(a) As long as the Debentures (Series B37) 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 in accordance with the terms and conditions set out in the deed of trust.

(b) The Company undertook to comply with the following financial covenants:
- The Company's equity will not fall below NIS 3,000 million for two consecutive quarters according to its audited or reviewed consolidated financial statements, as applicable.
- The Company's equity will not fall below 18% of its total assets for two consecutive quarters according to the Company's audited or reviewed separate financial statements, as applicable.

(c) The Company has undertaken not to make any distribution (as this term is defined in the Companies Law), including not to declare, pay, or distribute any dividend (as the terms are defined in the Companies Law), unless all the terms listed below are met (before and after deduction of the distribution amount): 1) the equity will not be less than NIS 3,300 million following the distribution; 2) the separate equity to asset ratio shall not fall below 22% subsequent to the distribution; 3) 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; 4) there are no grounds for immediate repayment; 5) the Company is not in breach of one of the financial covenants nor will it be in breach thereof subsequent to the distribution.

(d) The deed of trust sets out grounds for immediate repayment of Debentures (Series B37), 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); the downgrade of Debentures (Series B37) below BBB- or an equivalent rating; a substantial deterioration in the Company's business; 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.

(e) In addition, the deed of trust set out events, which, if they occur, the interest rate on the debentures will be adjusted, as follows: 1) a downgrade below the base rating of Baa1 will result in a cumulative increase in the interest rate of up to 1% above the base interest rate; 2) if the Company's equity falls below NIS 3,150 million according to its audited or reviewed consolidated financial statements, as the case may be, or the equity to total assets (separate) ratio falls below 20%, the interest rate will increase by 0.25% for each breached covenant.

Debentures (Series B37) are secured by the participation units of NewMed Energy and Ithaca shares.

(3) The Company's obligations under the deed of trust of Debentures (Series B38)

Under the deed of trust of Debentures (Series B38), the Company undertook the following:

(1) As long as the Debentures (Series B38) 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 in accordance with the terms and conditions set out in the deed of trust.

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

- The Company's equity will not fall below NIS 3,250 million for two consecutive quarters according to its audited or reviewed consolidated financial statements, as applicable.
- The Company's equity will not fall below 18% of its total assets for two consecutive quarters according to the Company's audited or reviewed separate financial statements, as applicable.

(3) The Company has undertaken not to make any distribution (as this term is defined in the Companies Law), including not to declare, pay, or distribute any dividend (as the terms are defined in the Companies Law), unless all the terms listed below are met (before and after deduction of the distribution amount): 1) the equity will not be less than NIS 3,500 million following the distribution; 2) the separate equity to asset ratio shall not fall below 22% subsequent to the distribution; 3) 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; 4) there are no grounds for immediate repayment; 5) the Company is not in breach of one of the financial covenants nor will it be in breach thereof subsequent to the distribution.

(4) The deed of trust sets out grounds for immediate repayment of Debentures (Series B38), 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); the downgrade of Debentures (Series B38) below BBB- or an equivalent rating; a substantial deterioration in the Company’s business; 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.

In addition, the deed of trust set out events, which, if they occur, the interest rate on the debentures will be adjusted, as follows: 1) a downgrade below the base rating of “A3” will result in a cumulative increase in the interest rate of up to 1% above the base interest rate; 2) if the Company’s equity falls below NIS 3,350 million according to its audited or reviewed consolidated financial statements, as the case may be, or the equity to total assets (separate) ratio falls below 20%, the interest rate will increase by 0.25% for each breached covenant.

Debentures (Series B38) are secured by a lien on NewMed Energy participation units.

As at the report date, the Company is in compliance with the financial covenants set out in the Deeds of Trust. In this regard, it should be noted that equity as at December 31, 2023 amounted to NIS 9,524 million, and the equity to total assets ratio under the Company’s separate financial statements is approx. 64%.

E. Additional information

Company management and the employees are dedicated to the national efforts, mourning together with the families of the fallen and murdered, hoping for the safe return of the kidnapped and missing, and send wishes of full recovery to all of those wounded. Together we shall win.

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	**Idan Wallace**
Chairman of the Board	CEO

Signature date: March 26, 2024

Appendix A to the Report of the Board of Directors

Breakdown of principal and interest payments on the Company and the staff companies' debentures and bank and other loans as of December 31, 2023 (in NIS millions):

		2024	2025	2026	2027	2028	2029 onwards	Total
Debentures	**Principal**	176	474	561	589	657	1,196	3,653
	Interest	249	223	189	151	106	93	1,011
Bank and other loans	**Principal**	220	112	56	-	-	-	388
	Interest	22	11	1	-	-	-	34
Total		667	820	807	740	763	1,289	5,086

Breakdown of principal and interest payments on the Company and the staff companies' debentures and bank and other loans as of the report's publication date (in NIS millions):

The following schedule follows a private placement of NIS 515,000,000 p.v. in Debentures (Series B38) of the Company by way of expansion of the series.

		From the report publication date through to the end of 2024	2025	2026	2027	2028	2029 onwards	Total
Debentures	**Principal**	87	461	549	349	760	1,453	3,659
	Interest	192	227	194	158	130	135	1,036
Bank and other loans	**Principal**	56	112	56	-	-	-	224
	Interest	15	11	1	-	-	-	27
Total		350	811	800	507	890	1,588	4,946

Chapter C

Financial Statements

Delek Group Ltd.

Consolidated Financial Statements

As at December 31, 2023

Contents

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

Consolidated Balance Sheets

	Note	As at December 31 2023	As at December 31 2022
		NIS million	
Current assets			
Cash and cash equivalents	3	1,597	2,159
Short-term investments	4	719	1,547
Trade receivables	5	1,691	1,127
Receivables and debit balances	6	1,521	1,522
Current tax assets		10	86
Financial derivatives	17A	514	531
Inventory	7	679	622
		6,731	7,594
Non-current assets			
Long-term loans, deposits, and receivables	8	3,170	2,834
Investments in associates	9B	640	492
Investment property	10	546	355
Right-of-use assets	19	504	197
Financial derivatives	17A	65	75
Investments in exploration and production of oil and gas assets, net	11	26,465	26,608
Property, plant and equipment, net	12	485	124
Goodwill	13	3,382	3,281
Deferred taxes	28D	1,853	1,510
		37,110	35,476
		43,841	43,070

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

	Note	As at December 31 2023	2022
		NIS million	
Current liabilities			
Short-term loans from banks and others	15	837	-
Current maturities of debentures	16	178	2,872
Payables and credit balances	14	3,371	3,921
Current maturities of lease liabilities	19	88	147
Current tax liabilities		1,365	488
Financial derivatives	17A	52	481
		5,891	7,909
Non-current liabilities			
Loans from banks and others	15	1,297	2,189
Debentures	16	12,036	11,590
Lease liability	19	72	60
Financial derivatives	17A	-	96
Provisions and other liabilities	20	7,601	6,646
Deferred taxes	28D	2,009	1,701
		23,015	22,282
Capital	23		
Share capital		20	19
Share premium		2,353	2,554
Proceeds for options and conversion option		5	16
Retained earnings		7,519	7,026
Adjustments from translation of financial statements of foreign operations		174	(170)
Capital reserve from transactions with non-controlling interests		(702)	(652)
Other reserves		155	78
Treasury shares		-	(314)
Total equity attributable to shareholders of the Company		9,524	8,557
Non-controlling interests		5,411	4,322
Total capital		14,935	12,879
		43,841	43,070

March 26, 2024			
Approval date of the financial statements	Ehud Erez Chairman of the Board of Directors	Idan Wallace CEO	Tamir Polikar Executive VP & CFO

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

Consolidated Statements of Income

	Note	For the year ended December 31 2023	2022	2021
		NIS million (excluding net earnings (loss) per share)		
Revenue	30B	12,330	11,995	7,838
Cost of revenues	24	5,915	5,195	3,664
Gross profit		6,415	6,800	4,174
General and administrative expenses	25	271	257	144
Group share in profits of associates, net		34	37	44
Other income (expenses), net	26	(972)	3,859	421
Operating profit		5,206	10,439	4,495
Finance income	27	621	298	138
Finance expenses	27	(2,013)	(1,583)	(1,798)
Profit before taxes on income		3,814	9,154	2,835
Taxes on income	28E	1,431	4,623	1,247
Profit from continuing operations		2,383	4,531	1,588
Profit (loss) from discontinued operations, net	8B	22	(14)	84
Net income		2,405	4,517	1,672
Attributable to:				
Shareholders of the Company		1,593	3,977	1,432
Non-controlling interests		812	540	240
		2,405	4,517	1,672
Net earnings (loss) per share attributable to shareholders of the Company (in NIS)	29			
Basic earnings from continuing operations		86.2	225.1	78.5
Basic earnings (loss) from discontinued operations		1.2	(0.8)	4.9
Basic earnings		87.4	224.3	83.4
Basic earnings from continuing operations		86.1	215.2	75.1
Diluted earnings (loss) from discontinued operations		1.2	(0.8)	4.7
Diluted earnings		87.3	214.4	79.8

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

Consolidated Statements of Comprehensive Income

	For the year ended December 31		
	2023	2022	2021
	NIS million		
Net income	2,405	4,517	1,672
Other comprehensive income (net of tax effect):			
Amounts not reclassified to profit or loss:			
Loss from investment in equity instruments designated to be measured at fair value through other comprehensive income	-	-	86
	-	-	86
Amounts classified or reclassified to profit or loss under specific conditions:			
Profit (loss) for cash flow hedges	346	76	(1,426)
Transfer to profit or loss for cash flow hedges	(258)	902	472
Adjustments from translation of financial statements of foreign operations	468	1,333	(349)
Total other comprehensive income (loss)	556	2,311	(1,217)
Total comprehensive income	2,961	6,828	455
Attributable to:			
Shareholders of the Company	2,014	5,859	351
Non-controlling interests	947	969	104
	2,961	6,828	455

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

	Attributable to shareholders of the Company										
	Share capital	Share premium	Proceeds for options and conversion option	Retained earnings	Adjustments from translation of financial statements of foreign operations	Reserve for transactions with non-controlling interests	Other reserves *)	Treasury shares	Total	Non-controlling interests	Total equity
	NIS million										
Balance as at January 1, 2023	19	2,554	16	7,026	(170)	(652)	78	(314)	8,557	4,322	12,879
Net income	-	-	-	1,593	-	-	-	-	1,593	812	2,405
Other comprehensive income	-	-	-	-	344	-	77	-	421	135	556
Total comprehensive income	-	-	-	1,593	344	-	77	-	2,014	947 **)	2,961
Exercise of options for shares	1	113	(11)	-	-	-	-	-	103	-	103
Commencement of consolidation	-	-	-	-	-	-	-	-	-	487	487
Transactions with non-controlling interests	-	-	-	-	-	(50)	-	-	(50)	61	11
Share-based payment	-	-	-	-	-	-	-	-	-	54	54
Forfeiture of treasury shares	-	(314)	-	-	-	-	-	314	-	-	-
Divided to the Company's shareholders	-	-	-	(1,100)	-	-	-	-	(1,100)	-	(1,100)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(460)	(460)
Balance as at December 31, 2023	20	2,353	5	7,519	174	(702)	155	-	9,524	5,411	14,935

*) As at December 31, 2023, mainly due to cash flow hedges.
**) Composition of comprehensive income of non-controlling interests:

Net income attributable to non-controlling interests	812
Adjustments from translation of financial statements of foreign operations	10
Adjustments arising from cash flow hedges	125
Total comprehensive income attributable to non-controlling interests	947

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

Consolidated Statements of Changes in Equity (cont.)

	Share capital	Share premium	Proceeds for options and conversion option	Retained earnings	Adjustments from translation of financial statements of foreign operations	Reserve for transactions with non-controlling interests	Other reserves *)	Treasury shares	Total	Non-controlling interests	Total equity
	Attributable to shareholders of the Company										
	NIS million										
Balance as at January 1, 2022	19	2,534	18	3,049	(1,125)	(684)	(893)	(314)	2,604	2,584	5,188
Net income	-	-	-	3,977	-	-	-	-	3,977	540	4,517
Other comprehensive income	-	-	-	-	955	-	927	-	1,882	429	2,311
Total comprehensive income	-	-	-	3,977	955	-	927	-	5,859	969	6,828
Exercise of options for shares	-	20	(2)	-	-	-	-	-	18	-	18
Transactions with non-controlling interests	-	-	-	-	-	32	44	-	76	939	1,015
Share-based payment	-	-	-	-	-	-	-	-	-	20	20
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(190)	(190)
Balance as at December 31, 2022	19	2,554	16	7,026	(170)	(652)	78	(314)	8,557	4,322	12,879

*) As at December 31, 2022, mainly due to cash flow hedges.
**) Composition of comprehensive income of non-controlling interests:

Net income attributable to non-controlling interests	540
Adjustments from translation of financial statements of foreign operations	378
Adjustments arising from cash flow hedges	51
Total comprehensive income attributable to non-controlling interests	969

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

Consolidated Statements of Changes in Equity (cont.)

	Attributable to shareholders of the Company										
	Share capital	Share premium	Proceeds for options and conversion option	Retained earnings	Adjustments from translation of financial statements of foreign operations	Reserve for transactions with non-controlling interests	Other reserves *)	Treasury shares	Total	Non-controlling interests	Total equity
	NIS million										
Balance as at January 1, 2021	18	2,341	38	1,589	(933)	(677)	24	(314)	2,086	3,164	5,250
Net income	-	-	-	1,432	-	-	-	-	1,432	240	1,672
Other comprehensive loss	-	-	-	-	(192)	-	(889)	-	(1,081)	(136)	(1,217)
Total comprehensive income (loss)	-	-	-	1,432	(192)	-	(889)	-	351	104 **)	455
Issue of shares and warrants, net	-	130	6	-	-	-	-	-	136	-	136
Exercise of options for shares	1	45	(8)	-	-	-	-	-	38	-	38
Expiry of a conversion option due to repayment of convertible debentures	-	18	(18)	-	-	-	-	-	-	-	-
Transactions with non-controlling interests	-	-	-	-	-	(7)	-	-	(7)	7	-
Disposal of revaluation reserve due to disposal of an asset	-	-	-	28	-	-	(28)	-	-	-	-
Dividend to non-controlling interests (including payments made on account of tax, which were provided for by the Partnership)	-	-	-	-	-	-	-	-	-	(691)	(691)
Balance as at December 31, 2021	19	2,534	18	3,049	(1,125)	(684)	(893)	(314)	2,604	2,584	5,188

*) As at December 31, 2021, mainly due to cash flow hedges.
**) Composition of comprehensive income of non-controlling interests:

Net income attributable to non-controlling interests	240
Gain on 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 and the appendix are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

	For the year ended December 31		
	2023	2022	2021
	NIS million		
Cash flows from operating activities			
Net income	2,405	4,517	1,672
Adjustments to reconcile cash flows from operating activities (a)	3,830	2,313	1,841
Net cash from operating activities	6,235	6,830	3,513
Cash flows from investing activities			
Purchase of property, plant and equipment, investment property and intangible assets	(2)	(5)	(3)
Proceeds from sale of property, plant and equipment and investment property	12	11	160
Consideration arising from acquisition of oil and gas assets	-	-	184
Taxes paid in connection with the sale of oil and gas assets	-	(262)	(27)
Proceeds from sale of financial assets, net	-	-	123
Short-term investments, net	908	(541)	67
Disposal of (investment in) long-term bank deposits, net	(616)	51	69
Investments in oil and gas exploration and assets	(2,333)	(1,568)	(1,027)
Cash added from disposal of investments in previously consolidated companies (including from oil and gas assets) (b)	-	49	3,014
Cash flows used for acquisition of control in companies and operations (c)	(145)	(3,397)	-
Proceeds from sale of investments in associates	-	-	113
Payment of deferred consideration	-	(229)	-
Amounts and royalties received in respect of the sale of rights in the Karish and Tanin Reservoirs	232	22	121
Net cash provided by (used in) investing activities	(1,944)	(5,869)	2,794

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

	For the year ended December 31		
	2023	2022	2021
	NIS million		
Cash flow from financing activities			
Receipt of short-term credit from banks	368	-	-
Receipt of long-term loans	1,681	1,811	2,099
Repayment of long-term loans	(2,483)	(1,797)	(3,394)
Dividend paid to non-controlling interests (net of a tax rebate received by the Partnership)	(506)	(555)	(416)
Dividend paid	(1,100)	-	-
Issue of shares and warrants, net	-	-	136
Issuance of shares to a non-controlling interest in a consolidated company (net of issuance costs)	11	1,015	-
Exercise of options for shares	103	18	38
Repayment of a lease liability	(157)	(120)	(13)
Payment of contingent considerations	(51)	-	-
Issue of debentures (net of issuance costs)	802	209	3,286
Repayment of debentures	(3,559)	(608)	(7,264)
Net cash used for financing activities	(4,891)	(27)	(5,528)
Translation differences on cash balances	38	78	(34)
Increase (decrease) in cash and cash equivalents	(562)	1,012	745
Cash and cash equivalents at the beginning of the year	2,159	1,147	402
Cash and cash equivalents at the end of the year	1,597	2,159	1,147

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

	For the year ended December 31		
	2023	2022	2021
	NIS million		
(a) Adjustments to reconcile cash flows from operating activities			
Adjustments to profit or loss:			
Depreciation, depletion, amortization and impairment of assets, net	4,235	2,911	797
Deferred taxes, net	(358)	3,803	896
Impairment (appreciation) of loans granted, net	(19)	9	(86)
Profit from the sale of property, plant and equipment, real estate and investments, net	-	(19)	(10)
Increase (decrease) in deferred/contingent consideration	29	15	(27)
Decrease in decommissioning liabilities with respect to time value	286	197	125
Group's share of results of associates, net (1)	(16)	(12)	(6)
Loss from the sale of gas and oil assets	-	-	517
Payment of decommissioning expenses	(383)	(315)	(239)
Gain from a bargain purchase	(124)	(4,445)	-
Cost of share-based payment	54	53	-
Change in fair value of financial assets and financial derivatives, net	(236)	(453)	(472)
Appreciation of long-term liabilities, net	252	31	130
Change in value of investment property, net	(13)	(7)	(108)
Changes in operating assets and liabilities:			
Increase in trade receivables	(394)	(102)	(419)
Decrease (increase) in receivables and debit balances	453	(191)	(63)
Decrease (increase) in inventory	80	17	(232)
Decrease (increase) in other assets, net	74	4	(22)
Increase (decrease) in payables and credit balances	(90)	817	1,060
	3,830	2,313	1,841
(1) Net of dividends received	18	25	38

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

		For the year ended December 31		
		2023	2022	2021
			NIS million	
(b)	Cash added from disposal of investments in previously consolidated companies (including from oil and gas assets)			
	Working capital (excluding cash and cash equivalents), net	-	-	13
	Investments in exploration and production of oil and gas assets	-	49	3,597
	Long-term assets	-	-	105
	Long-term liabilities	-	-	(184)
	Loss from disposal of investment	-	-	(517)
		-	49	3,014
(c)	Cash flows used for acquiring control in companies and operations, net *)			
	Working capital (excluding cash and cash equivalents), net	51	6	-
	Investments in exploration and production of oil and gas assets	-	(6,235)	-
	Non-current assets	(975)	-	-
	Non-current liabilities	168	-	-
	Debentures	-	700	-
	Deferred tax assets	-	(4,724)	-
	Goodwill	-	(217)	-
	Liabilities for disposal of assets	-	1,289	-
	Deferred and contingent consideration	-	1,003	-
	Gain from a bargain purchase	124	4,445	-
	Financial derivatives	-	336	-
	Non-controlling interests	487	-	-
		(145)	(3,397)	-
(d)	Significant non-cash activities			
	Investment in oil and gas assets against liability	706	350	264
	Dividend to non-controlling interests	-	81	142
	Consideration not yet received from sale	-	15	33

*) See Note 9A(3).

	For the year ended December 31		
	2023	2022	2021
	NIS million		
(e) Additional information on cash flows			
Cash paid during the year for:			
Interest	1,109	1,225	1,442
Taxes	715	339	145
Cash received during the year for:			
Interest	99	25	13
Dividends	18	25	38
Taxes	55	21	6

NOTE 1 - GENERAL

A. Delek Group Ltd. (hereinafter - the “Company") invests mostly in and manages companies and partnerships operating in oil and gas exploration and production in Israel and other countries. In addition, the Group has several holdings in other sectors, including operation of gas stations and convenience stores, real estate, and agriculture (see also Note 30 regarding the Company’s operating segments). The controlling shareholder of the Company is Yitzhak (Sharon) Tshuva, who, shortly before the approval date of the financial statements, holds approx. 49.52% of the Company's share capital and voting rights (approx. 49.48, fully diluted) through his wholly-owned companies.

B. 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.

C. Iron Swords War and its effect on the Group’s operations

Following the murderous attack by the Hamas terrorist organization in communities and military bases in the south of Israel on October 7, 2023, the Israeli government declared the Iron Swords War, against the terrorist organization (hereinafter - the "War"). Since the outbreak of the War on October 7, 2023, thousands of missiles have been launched from Gaza mainly into the southern and central Israel, and in addition, with the advancement of the battle, the Hizballah terror organization has intensified the tension on the Israel-Lebanese border. As at the approval date of the Financial Statements, the War is raging, and it is impossible to predict how long it will continue for and how it will affect the Group, particularly its business and assets in Israel.
Furthermore, continuation of the War may affect macroeconomic factors, including those listed in Paragraph B above, although it is impossible at this stage to assess the scope of the effect, if any.

Implications for gas and oil operations in Israel

Shortly after the outbreak of the War, gas production from the Tamar Reservoir was suspended according to a Government order, which was renewed during November 2023. Despite the War, as of the approval date of the Financial Statements, production from the Leviathan Reservoir continued as usual. During the shutdown period of the Tamar Reservoir and EMG pipeline, the Leviathan Partners supply gas to some of the Tamar Reservoir customers, which led to a reduction of the quantities allocated to export (the quantity of gas supplied to Egypt in October and November constituted approx. 84% of the monthly contractual quantity which the Leviathan Partners undertook to supply). Since the outbreak of the War and up to the approval date of the financial statements, production from the Leviathan Reservoir is continuing as usual, and accordingly, there was no significant impairment of the Partnership’s revenues and profitability. However, as a result of the War, operating expenses involved in the production of gas increased at a non-material rate, mainly due to difficulty of foreign companies in sending work crews to the region, which led to an increase in shipping prices and the need for further logistics measures to transport personnel and equipment. Furthermore, scheduled maintenance measures were postponed, revised or adjusted.

It is noted that the natural gas rigs, onshore and offshore production and transmission facilities, and other essential infrastructure systems in Israel and export countries may be a target for missile fire and terror acts, and damage to them, if any, may cause more substantial harm and disrupt or shutdown the production and/or transmission operations for a period and to an extent that may be significant. In such cases, the insurance policies purchased by Chevron Mediterranean Limited (hereinafter - “Chevron”) and the Partnership may not be sufficient to cover the damage and losses incurred by the Partnership. In this regard, it should be noted that there is a risk that upon renewal of the insurance policies, mainly in connection with war and terror, it may not be possible to purchase appropriate policies under reasonable commercial terms or at all.

NOTE 1 - GENERAL (cont.)

C. Iron Swords War and its effect on the Group's operations (cont.)

Implications for gas and oil operations in Israel (cont.)

Upon the occurrence of certain events, such as early termination of the export agreements and unrepaired physical damage to the Leviathan Project, if they are likely to cause a material adverse effect, subject to remediation periods, qualifications and conditions, there is a risk of breach of the terms of the debentures of Leviathan Bond Ltd. (a wholly owned subsidiary of the Partnership), which are secured by the Partnership's rights in the Leviathan Project, as well as the terms of the loan received by Leviathan Overriding Royalty Ltd. (a wholly owned subsidiary of the Group), secured by rights to receive royalties from the Leviathan Project, as outlined in Notes 15E(3) and 16E(2) below, which may confer upon the debenture holders and lenders grounds for immediate repayment and realization of the collateral.

As at the approval date of the Financial Statements, there is a great deal of uncertainty and it is impossible to estimate how the War will develop, whether it will expand to other areas, how long it will last, and its results and implications. Under such circumstances, it is impossible to assess the likelihood that the risk factors due to the War will materialize and their possible impact, including the specific risk factors listed above, which if materialized, may have a material adverse effect on the Group, its assets and business.

D. Definitions

In these financial statements -

The Company	- Delek Group Ltd.
The Group	- The Company and its consolidated companies and partnerships which are consolidated in the Consolidated Financial Statements.
Consolidated companies	- Companies and partnerships controlled by the Company (as defined in IFRS 10) and their financial statements are consolidated with the financial statements of the Company.
Associates	- Companies and partnerships over which the Company has significant influence or has a contractual arrangement for joint control and the Company's investment in these companies is accounted for in the consolidated financial statements using the equity method.
Investees	- Consolidated companies or associates and associate partnerships. See also the appendix to the financial statements listing the main investee companies and partnerships.
Interested parties and controlling shareholder	- As defined in the Israel Securities Regulations (Annual Financial Statements), 2010.
Related parties	- As defined in IAS 24 (Revised).
CPI	- The Consumer Price Index published by the Central Bureau of Statistics in Israel.
USD	- US dollar.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

A. Basis of presentation

The financial statements of the Company have been prepared on a cost basis, except for investment property, financial investments, derivatives and certain financial instruments, which are measured at fair value in each reporting period, and with the exception of investments accounted for using the equity method and deferred taxes.

The Company has elected to present the statement of income using the function of expense method.

Basis of preparation of the financial statements

These financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter - "**IFRS**").

Furthermore, the financial statements have been prepared in accordance with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

Consistent accounting policy

The accounting policies applied in the Consolidated Financial Statements have been applied consistently to all the periods presented, unless otherwise stated.

B. Estimates, assumptions and judgments

In the application of the Group's accounting policies, as described in this Note, the Company's management is required, in certain cases, to exercise extensive accounting judgment for estimates and assumptions regarding the carrying amount of assets and liabilities, which are not necessarily available from other sources. The related estimates and assumptions are based on past experience and other factors that are considered relevant. Actual results may differ from these estimates.
Below is a description of the key estimates and assumptions made in the financial statements concerning uncertainties as of the balance sheet date and the critical estimates computed by the Group that may result in a material adjustment to the carrying amounts of assets and liabilities within the next reporting year are discussed below:

- Impairment of non-financial assets

  The Group evaluates the need to record an impairment of the carrying amount of non-financial assets, oil and gas assets, and equity-accounted investments, whenever events or changes in circumstances indicate that the carrying amount is not recoverable (see Section O below). In addition, the Group reviews goodwill for impairment at least once a year.

  This requires management to estimate the expected future cash flows from continued use of the cash-generating units and also to select a suitable discounted rate for these cash flows. For further information, see Section P below.
  As from the acquisition date, goodwill is allocated to a cash-generating unit or a group of cash-generating units which are expected to generate benefits from the synergy of the combination.

  In particular, it should be noted that measurement of the recoverable amount of oil and gas assets (and the testing of goodwill impairment attributable to operation in this sector) requires management to make assumptions regarding expected costs and investments, the probability of the existence of development plans, quantities of resources in the reservoir (mainly estimated proved and probable oil reserves), expected selling prices (in particular, the expectation for future oil and gas prices), implications of the Petroleum Profits Levy Law, and discount rates, to evaluate the future cash flows from the assets.

  The changes in estimates that were taken into account may significantly change the results of the assessment.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. Estimates, assumptions and judgments (cont.)

- Estimate of proved and probable oil and gas reserves and future costs

The estimate of the proved and probable oil and gas reserves are used, among other things, to determine the amortization rate of the assets used in the operations over the reporting period. Depreciation of investments (also taking into account expected future costs for production of the proved and probable resources) associated with discovery and production of proved and probable oil and gas reserves is based on the depletion method; according to this method, in each accounting period the assets are depreciated at a rate determined by the number of units of oil and gas actually produced, divided by the proved and probable oil and gas reserves remaining according to estimates.
In addition, the reserves estimate is used to measure the decommissioning liability of assets (mainly for timing of the expense), to test for impairment of oil and gas assets and goodwill, and to assess the utilization of the deferred tax assets in the future.
To determine the depletion rate and to estimate the decommissioning liability, the Group uses proved and probable (2P) reserves, and to test for impairment of assets and the ability to utilize deferred tax assets, the Group also takes into account some of the reserves classified as having a lower probability, in accordance with the rate of the risk determined separately for each field. The rate of the risk reflects the management's assessments for technical and commercial parameters and the existing market conditions.
The estimated oil and gas reserves in the producing reservoirs in the reporting period, and the future anticipated costs are calculated each year based partially on assessments of oil and gas reserves by external experts. The estimated proved and probable reserves and the future anticipated costs according to these principles is subjective, based on different assumptions and the estimates of experts and might sometimes differ significantly. Given the significant amounts of the Group’s depreciation expenses, the changes in estimates can have a material effect on the operating results and the financial position of the Group (including in respect of testing for impairment of oil and gas assets). See also Section P and Note 11 below.

- Determining the fair value of non-marketable financial assets

The Company's management exercises judgment in selecting appropriate valuation techniques for financial instruments that do not have a quoted market price in an active market. The valuation techniques used by the Company's management are those used by market participants. For certain instruments, the Company uses techniques based on projected future cash flows discounted at the current discount rates applicable for items with similar terms and risk characteristics. Changes in the estimated future cash flows and discount rates taking into account the risk assessment, such as liquidity risk, credit risk and volatility may affect the fair value of these assets.

- Deferred tax assets

A deferred tax asset is recognized for unused carryforward tax losses and temporary differences to the extent that it is probable that future taxable profits will be available against which the losses can be utilized according to the tax rate that is expected to apply to this taxable income. Management judgment is required to calculate the amount of the deferred tax asset that can be recognized based on the timing, future taxable income and tax planning strategy. Further to the above regarding the impairment testing of oil and gas assets, in determining the expected taxable income from operations in these assets, estimates of future oil and gas prices, future disposal development costs, quantity of reserves in reservoirs, and other factors are taken into consideration. Changes in these estimates may result in a material change in the balance of deferred taxes. See additional information in Section T below and Note 28D.

Deferred tax liability calculated in respect of temporary differences between the amounts included in the financial statements and the amounts taken into account for tax purposes.
When calculating deferred taxes, management is required to estimate the amount of deferred tax liability that are recognizable based on the timing and the tax planning strategies.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. Estimates, assumptions and judgments (cont.)

- Business combinations

During 2022, several business combinations were completed by a subsidiary of the Company, under which a gain from a bargain acquisition was recognized as set out in Note 9A1(1). The 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. When determining the fair value of the assets and liabilities acquired and the consideration paid (including the contingent consideration), the Group and appraiser used various assumptions and assessments, including the quantity of resources in the acquired reservoirs, the production rate, present and future natural gas prices and the discount rate (for information, see Note 9A1. In accordance with the above, in 2022, the Group recognized a profit from bargain acquisitions in the amount of USD 1.3 billion (approx. NIS 4.5 billion) for 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 approx. 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 a period of up to seven years, in which the carryforward losses will be utilized.

- Decommissioning liability of assets

The timing and amount of the financial resources required to extinguish the liability are based on the assessment of the managements of the Partnership and the subsidiary, based, among other things, on estimates of professional advisors and periodic assessments of the adequacy of these estimates.

- Legal claims

When assessing the possible outcomes of legal claims that were filed against the Company and its investees, the Group companies relied on the opinions of their legal counsel. These opinions of the legal counsel are based on the best of their professional judgment, and take into consideration the current stage of the proceedings and the legal precedents for various matters. Since the outcomes of the claims will ultimately be determined in the courts, these outcomes could differ from the assessments.

In addition to these claims, the Company is exposed to unasserted legal claims, among other things, where there is any doubt as to the interpretation of the agreement and/or the provisions of the law and/or their implementation. This exposure is brought to the attention of the Company and its investees in several ways, including through customer applications to Group entities, in particular to the Group's public complaints officer, through customer complaints to the public inquiries unit in the supervisor's office, and through claims (other than class action suits) filed at the court.

These issues are brought to the attention of the Group's management insofar as the relevant entities identify that the claims could have widespread implications. When assessing the risk arising from these unasserted allegations/claims, the Group companies rely on internal assessments of the relevant parties and the management, which assess the prospects of a claim being filed and the chances for its success, if filed. The assessment is based on experience gained with respect to filing claims and the analysis of each claim. By their nature, in view of the preliminary stage of the clarification of the legal claim, the actual outcome could be different from the assessment made before the claim was filed.
For more information, see Note 21A.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. Consolidated Financial Statements

The Consolidated Financial Statements include the statements of companies and partnerships, including special-purpose companies (SPCs) controlled by the Company (subsidiaries). Control exists when the Company has the power to affect the investee, is exposed, or has rights, to variable returns from its involvement with the investing entity, and it has the ability to affect those returns arising from the investee. The Company has de facto control in Mehadrin Ltd., notwithstanding the fact that the Company holds less than 50% of its share capital (for further information see Note 9(a)3).

Non-controlling interests for consolidated companies represent the capital of the subsidiaries that cannot be attributed, directly or indirectly, to the parent company. Upon the disposal of an interest in a subsidiary that does not result in a loss of control, an increase or decrease is recognized in equity taking into account also the disposal of a portion of any goodwill in the subsidiary and any capital reserve recognized in other comprehensive income, based on the decrease in the interests in the subsidiary.

Joint arrangements

A joint arrangement is a contractual arrangement where two or more parties undertake oil and gas exploration operations in a jointly-owned asset. Certain joint arrangements often involve joint operations by the partners in one or more asset invested in the joint arrangement.

Arrangements in which there is no formal requirement for unanimous agreement of the parties to the arrangement appear not to be meeting the definition of joint control under IFRS 11. However, a review of these arrangements demonstrates that the arrangements themselves have no rights in the assets and the arrangements have no binding commitments on behalf of the participants. The agreements are directly between the participants and the third party. Any participant may pledge its rights in the assets and is entitled to the economic benefits arising from the arrangement. As a result, the participants have a proportionate share in the assets and liabilities attributable to the joint arrangement. In view of the above, for the rights in the activity of the joint arrangements, the Group recognizes in its financial statements its share in the assets, liabilities, income, and expenses of the joint arrangement.

The Group's share in unused payments transferred to the joint arrangement operator is presented under receivables and debit balances, since such amounts do not meet the definition of cash and cash equivalents.

In some of the Group's oil and gas assets, the arrangements for distribution of the oil and gas produced are such that allow each of the partners to receive and sell the amount of oil and gas that is different from that due to them in the entire reporting period based on their share in the joint arrangement. The difference between the right of the consolidated company to receive oil and gas based on its share in the joint arrangement and the amount it actually receives in the reporting period constitutes an underlift position, which is included in the financial statements under inventory, or an overlift position, which is included in the financial statements under payables and measured at net realizable value. Changes in the reporting period are recognized as cost of sales in the statement of income.

D. Functional currency and foreign currency

Functional currency and presentation currency

The functional currency of the Company and the presentation currency of the financial statements is the Israeli shekel (NIS).

The Group determines the functional currency of each company, including companies accounted for using the equity method.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. Functional currency and foreign currency (cont.)

Functional currency and presentation currency (cont.)

The assets and liabilities of investees with a functional currency other than the NIS, including excess costs incurred for them, are translated at the exchange rate at each reporting date. Income statement items are translated at average exchange rates for the presented periods. Translation differences are recognized as other comprehensive income (loss).
Intragroup loans for which settlement is neither planned nor likely to occur in the foreseeable future, are a part of the investment in the foreign operation, therefore exchange rate differences arising on these loans (net of the tax effect) are recognized in other comprehensive income (loss).

E. Operating cycle

The Company's normal operating cycle does not exceed one year.

F. Cash equivalents and deposits

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of acquisition. Balances in bank accounts subject to contractual restrictions by a third party for use by the Group are included as part of cash and cash equivalents, unless, due to the restrictions, the balances do not meet the definition of cash and cash equivalents.
Short-term deposits include bank deposits, with an original maturity exceeding three months but not exceeding one year from the investment date, and bank balances and deposits for shorter periods which, due to their contractual limitations, do not meet the definition of cash and cash equivalents. When the contractual restrictions extend beyond 12 months from the end of the reporting period, the amounts of restricted cash and cash equivalents are classified as non-current assets in the statement of financial position.

G. Inventory

Crude oil inventory is measured at net realizable value, based on the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling expenses.

Non-current crude oil inventory is measured at the lower of historical cost or net realizable value. The cost is based on the first-in first-out (FIFO) method.

Fruit inventory is measured at the cost of the fruit purchases or the cost invested in the production of items transferred from biological assets, reflecting their fair value net of costs to sell at the transfer date, plus the cost of other direct expenses.

H. Financial instruments

Financial assets are initially measured at fair value as at the recognition date plus or net of transaction costs that are directly attributable to acquisition of the financial asset, except in the case of a financial asset measured at fair value through profit or loss, when transaction costs are recognized in profit or loss. In subsequent periods, the Group's financial instruments are measured at their amortized cost, other than the assets set out below that do not meet the criteria required for measurement at amortized cost or measurement at fair value through other comprehensive income and are therefore measured at fair value through profit and loss: a seller's loan to the acquirers of The Phoenix and royalties payable and a loan for the sale of the Karish and Tanin leases, other than cash flow hedges measured at fair value through other comprehensive income. For further information about the Group's financial instruments measured at fair value through profit and loss – see Note 17, Financial Instruments.

Impairment of debt instruments measured at amortized cost

The Group assesses at each reporting date the provision for loss in respect of financial debt instruments measured at amortized cost.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

H. Financial instruments (cont.)

Impairment of debt instruments measured at amortized cost (cont.)

The Group has financial assets with short credit periods, such as trade and receivables and debit balances, for which it may apply the expedient set out in the standard, meaning that the Group will measure the provision for loss in an amount equal to expected credit losses throughout the useful life of the instrument. The Group elected to apply the expedient for these financial assets. Impairment for debt instruments measured at amortized cost is recognized in profit or loss against a provision.

Derecognition of financial assets and liabilities

The Group derecognizes a financial asset only when the contractual rights to receive the cash flows from the financial asset have expired, or the Group substantively transfers all the risks and rewards arising from the asset and the Group no longer retains control over the transferred assets.

The Group derecognizes a financial liability when, and only when, it is settled - that is, when the obligation defined in the contract expires or when it is discharged or canceled.
A financial liability is extinguished when the debtor pays the liability by a cash payment, other financial assets, goods or services, or is legally discharged of the liability.

In the event of a change in the terms of an existing financial liability, the Group examines whether the terms of the liability are materially different from the existing conditions, taking into account qualitative and quantitative considerations.
When there is a substantial modification of the terms of an existing financial liability, or a replacement of a liability by another liability having substantially different terms between the Company and a lender, the transaction is accounted for as a derecognition of the original liability and recognition of a new financial liability. The difference between these two financial liabilities in the financial statements is recognized in profit or loss.
When there is a non-substantial modification of the terms of an existing liability, or an exchange of another liability with terms are not materially different, between the Company and the lender, the Group revises the amount of the liability, namely, the discounting of the new cash flows at the original effective interest rate, and the difference is recognized in profit or loss.

I. Hedge accounting and derivative financial instruments

Any profits or losses arising from changes in the fair values of derivatives that do not qualify for hedge accounting are recognized directly in the statement of income.

Hedge transactions qualify as hedge accounting when, at the inception of the hedge, there is formal designation and documentation of the hedging relationships and the risk management objectives and strategy of the Group for hedging. The hedge is tested on an ongoing basis and determined in practice when it is highly effective throughout the financial reporting period to which the hedge is assigned.

The Group companies carry out cash flow hedges which are accounted for as follows:

The effective portion of the profit or loss on the hedging instrument is recognized as other comprehensive income (loss), while any ineffective portion is recognized immediately in the statement of income.

Other comprehensive income (loss) is transferred to the profit or loss when the hedged transaction results are recognized in profit or loss, such as when the hedged income or expense is recognized in profit or loss or when a forecast sale occurs.

When put options are used as hedging instruments, only the intrinsic value of the options are designated for hedging. Fair value changes in the time value are recognized in other comprehensive income and transferred to profit or loss together with the transfer of hedging transaction results.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

J. Leases

The Group accounts for a contract as a lease when the contract conveys the right to control the use of an identifiable asset for a period of time in exchange for consideration.

For transactions in which the Group is a lessee, the Group recognizes a right of use asset and a lease liability on the inception date of the lease, with the exception of leases of up to 12 months and leases where the underlying asset has a low value, in which case the Group elected to recognize the lease payments as an expense in profit or loss on a straight-line basis over the lease term.

At the inception date, the lease liability includes all the lease payments that are not paid, discounted at the incremental interest rate of the Company. After inception, the Company uses the effective interest method to measure the lease liability.

The lease term was set as a period in which the lease is non-terminable, together with periods covered by an option to extend or cancel the lease if it is reasonably certain that the lessee will or will not exercise the option, accordingly.
The right of use asset at the inception date is recognized in the amount equal to the lease liability plus lease payments made on or before the effective date plus transaction costs incurred.
The right of use asset is accounted for using the cost model and depreciated over the shorter of the lease term and the useful life.

Where there are indications of impairment, the Company assesses impairment of the right of use asset in accordance with IAS 36.

K. Business combinations and goodwill

Business combinations are accounted for by the acquisition method. The cost of the acquisition is measured at the fair value of the consideration transferred at the acquisition date, including any non-controlling interests in the acquiree. In any business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value at the acquisition date or in accordance with the proportionate share of the fair value of the net identifiable assets of the acquiree. Direct acquisition costs are recognized in the statement of income as incurred.

Goodwill is initially measured at cost which represents the difference between the acquisition consideration and the amount of non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the resulting amount of goodwill is negative, the acquirer will recognize the resulting gain on the acquisition date.

L. Equity-accounted investments

The investment in an associate is accounted for using the equity method. According to the equity method, the investment in the associate is recognized in the balance sheet at cost plus changes in the Group’s share in the net assets, including the other comprehensive income (loss) of the associate.

M. Investment property

An investment property is property (land or a building or both) held by the owner (lessor under an operating lease) or by the lessee under a lease to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services, for administrative purposes, or for sale in the ordinary course of business.

Investment property is measured initially at cost, including costs directly attributable to the acquisition. After initial recognition, investment property, including investment property under construction, is measured at fair value which reflects market conditions at the reporting date. Profits or losses arising from changes in the fair values of investment property are included in the statement of income when they arise.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

N. Property, plant and equipment

Items of property, plant and equipment are measured at cost with the addition of direct acquisition costs, less accumulated depreciation and impairment losses and excluding day-to-day servicing expenses. Cost includes spare parts and auxiliary equipment that can be used only in connection with the machinery and equipment.

Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

	%
Office buildings	2-10
Packing houses and refrigeration	3-5.5
Vehicles, agricultural machinery, packing facilities, refrigeration, and equipment	8-25
Computers, furniture, and office equipment	6-33

O. Impairment of non-financial assets

The Group evaluates the need to record an impairment of the carrying amount of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. When the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and value in use. When measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of the loss is limited to the lower of the amount of previously recognized impairment of the asset (net of depreciation or amortization) or the recoverable amount of the asset.

To test for impairment of oil and gas assets, the Group’s assets in a number of reservoirs are grouped into one cash-generating unit, in cases where there is dependence on positive cash flows arising from the reservoirs or there is joint use of infrastructure.

The Group reviews goodwill impairment once a year or more frequently if events or changes in circumstances indicate that there is impairment. Impairment is recognized for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill belongs. An impairment loss is recognized if the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is less than the carrying amount of the cash-generating unit (or group of cash-generating units). Impairment losses recognized for goodwill cannot be reversed in subsequent periods.

P. Results of oil and gas exploration and development and investments in proved reserves

1. Expenses in the exploration and appraisal stage

Oil and gas investments and exploration are accounted for using the successful effort method, according to which:

a) Expenses for participation in geological and seismic tests and surveys in the preliminary exploration stages are recognized in profit or loss as incurred, until, following the performance of these surveys and tests, a specific drilling plan is formulated.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

P. Results of oil and gas exploration and development and investments in proved reserves (cont.)

1. Expenses in the exploration and appraisal stage (cont.)

b) Investments in reservoirs that are not yet proven as being non-commercial, were classified as "exploration and evaluation assets", and are presented according to the cost.

c) Investments in oil and gas drillings, for reservoirs proved to be dry and were abandoned, or that were classified as non-commercial, are written off from exploration and evaluation assets in the statement of income.

d) Investments for reservoirs that have technical feasibility and commercial viability of oil or gas production (which are being appraised in a range of events and circumstances), subject to an impairment test, are classified as oil and gas assets, reclassified from "exploration and evaluation assets" to the "oil and gas assets" and are presented in the balance sheet according to the cost net of accumulated depreciation.
The cost of oil and gas assets, as aforesaid, includes development planning costs of the reservoirs, development drilling, purchase and construction of production facilities, gas pipelines, drilling equipment, construction of a receiving terminal, and asset decommissioning costs.

Investments in oil and gas assets, which commenced commercial production are amortized to the statement of income according to the units of production method, based on the actual production volume in the period compared with the total proved and probable reserves (hereinafter - “proved and probable” or “2P”), as appraised by an external expert. When calculating the amortization of oil and gas assets on the basis of 2P reserves, the Group takes into account the future amount (in undiscounted values) of the investments required to produce the same amounts. This amount is also estimated on the basis of an external expert opinion.

e) Oil and gas exploration and evaluation assets are tested for impairment when the facts and circumstances indicate that the carrying amount of the exploration and evaluation asset and the oil and gas asset exceeds its recoverable amount in accordance with IFRS 6 and IAS 36 (see Section P above).

f) If, as part of the farm-in agreements in the exploration and appraisal stages, the holder of an oil and/or gas right transfers part of the right, in consideration for the transferee's agreement to bear future investments that the transferor would otherwise have had to bear, such agreements will be addressed as follows:
In agreements where the Group is the transferee: the Group will recognize an expense for the costs covered and attributed to the transferor’s remaining rights as incurred.
In agreements where the Group is the transferor: the Group will not recognize any expense expended by the transferee and it will recognize a profit or loss in the statement of income from the farm-out agreement in the amount of the difference between the consideration received or due and the carrying amount of the derecognized rights.

2. Measuring an asset and obligation to decommission assets

The Group recognizes a liability for its share in the obligation to decommission assets at the end of their useful life. The liability is recorded for the first time at its current value against an asset, and the expenses from revaluation of its current value, due to the passage of time, are recognized in profit or loss. The asset is first measured at the current value of the liability and is amortized in profit or loss as set out in Section 1 above.
Changes in timing, discount rates, and the amount of economic resources required to extinguish the liability are added to or deducted from the asset (if it was not fully amortized) in the current period together with the change in the liability.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

P. Results of oil and gas exploration and development and investments in proved reserves (cont.)

2. Measuring an asset and obligation to decommission assets (cont.)

When it is predicted that exit indemnity will be received from another party, in whole or in part, that requires extinguishing the liability, the assets in respect of the indemnity should be recognized only if it is certain that indemnity will be received. The amount to be recognized in respect of the indemnity will not exceed the amount of the provision.

Q. Taxes on income

The tax results for current or deferred taxes are recognized in the statement of income except to the extent that the tax arises from items which are recognized directly in equity or in other comprehensive income.

1. Current taxes

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date as well as adjustments required in connection with the tax liability for previous years.

2. Deferred taxes

Deferred taxes are computed for temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes, with a limited number of exceptions. Deferred tax balances are calculated according to the tax rate that is expected to apply at the reversal date, based on tax laws that have been enacted or substantively enacted by the balance sheet date.

At each reporting date, deferred tax assets are assessed in accordance with their utilization. Carryforward losses and deductible temporary differences for which deferred tax assets were not recognized are tested at each balance sheet date and the relevant deferred tax asset is recognized if it is expected to be utilized.

The calculation of deferred taxes does not take into account the taxes that would be applicable in the case of disposal of investments in investees, provided that the sale of these investments in investees is not likely in the foreseeable future. Also, deferred taxes that would apply in the event of distribution of earnings by investees as dividends have not been taken into account in computing deferred taxes, since the distribution of dividends does not involve an additional tax liability or since it is the consolidated company's policy not to initiate distribution of dividends that triggers an additional tax liability.

Deferred taxes are offset in the statement of financial position if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

R. Share-based payment transactions

The employees of some of the Group companies are entitled to benefits by way of share-based payments.

Cash-settled Transactions

The cost of Cash-settled Transactions is measured at fair value on the grant date using a standard pricing model. The fair value is recognized as an expense over the vesting period and a corresponding liability is recognized. The liability is remeasured at each reporting period until settled at fair value with any changes in fair value recognized in the statement of income.
Benefits that include the right of the employee or service provider to sell back to the Company or to the Group companies its shares are accounted for as Cash-settled Transactions.

Equity-settled transactions of consolidated companies

Equity-settled share-based payments to employees and others providing similar services of the Group's consolidated companies are measured at fair value on the award date. At the allotment date, the Group measures the fair value of the allotted equity instruments. When the allotted equity instruments do not vest until the employees complete a specified service period, during which the employees may also be required to meet certain performance conditions, the Group recognizes the share-based payments in the financial statements over the vesting period against an increase in balance of non-controlling interests. At the end of each reporting period, the Group estimates the number of capital instruments expected to mature. A change in the estimate for prior periods is recognized in profit or loss over the remaining vesting period.

S. Revenue recognition

Revenue from oil and gas sales

Revenue from the sale of oil and gas is recognized in profit or loss at a point in time when control is transferred to the customer. Income is measured and recognized at the fair value of the consideration that the Group expects to be entitled to, net of royalties collected in favor of the state.
The Group charges its customers in accordance with the payment terms in specific agreements; payments may be made before or after control is transferred, and accordingly the Group recognizes an asset or liability for the contract with the customer.

Costs of obtaining a contract

For obtaining some of the contracts with its customers, the consolidated partnership bears incremental costs of obtaining the contract. Costs of obtaining a contract with a customer that would not have incurred if the contract had not been obtained and the Partnership expects to recover the costs, are recognized as an asset and amortized on a systematic basis that is consistent with the transfer of services to which the specific contract relates. The Partnership recognizes an impairment loss of a contract asset in profit or loss when the carrying amount of the asset exceeds the difference between the amount of consideration the Partnership is expected to receive for the related goods or services and the costs of providing the goods or services not yet recognized as an expense.

T. Provisions

Legal claims

A provision for claims is recognized if, as a result of a past event, the Group has a present legal or constructive obligation and it is more likely than not that the Group will require its economic resources to extinguish the liability, and the amount of the obligation can be estimated reliably. When assessing the need for recognition and measurement of the provisions, Group companies are assisted by legal counsels.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

U. Fair value measurement

Fair value is the price that would be received when selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement assumes a transaction taking place in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market.

The fair value of the asset or liability is based on assumptions that would have been used by market participants to price the asset or liability, assuming that market participants act in their economic interests.

The Group uses valuation techniques that are appropriate to the circumstances and for which sufficient information is available to measure fair value, while maximizing the use of relevant observable data and minimizing the use of unobservable inputs.

All assets and liabilities measured at fair value, or for which there was fair value disclosure, are categorized within the fair value hierarchy, based on the lowest level of the data, which is significant to fair value measurement of a whole.

For further information about the determination of fair value and the valuation techniques – see Notes 8, 9, 10, 11, and 17.

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

1. Amendment to IAS 1, Presentation of Financial Statements (disclosure of accounting policy information)

The amendment replaces the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial reports (GPFRs) make on the basis of those financial statements.

The amendment further clarifies that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and does not need to be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information about material transactions, other events or conditions is in itself material.

The amendment was applied prospectively for annual reporting periods beginning on January 1, 2023. The amendment did not have a material effect on the financial statements.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

2. Amendment to IAS 12 - Income Taxes (regarding deferred taxes in respect of assets and liabilities from the same transaction)

The amendment clarifies that initial recognition exemption of deferred taxes does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. Therefore, deferred taxes in respect of such temporary differences must be recognized.
The amendment was applied retrospectively for the annual reporting period beginning on January 1, 2023, for transactions occurring on or after the beginning of the earliest comparative period presented in the financial statements.
The amendment did not have a material effect on the financial statements.

3. Amendment to IAS 12, Income Taxes (on disclosure and measurement exemption regarding the effect of the OECD-BEPS, Pillar-2 international tax reform)

On June 20, 2023, the UK finalized the legislation of a law adopting the OECD-BEPS Pillar-2 international tax reform. The law adopts the recommendations of the reform, according to which multinational companies will pay global tax at a minimum effective rate of 15%. The law will apply to reporting periods starting after December 31, 2023. It should be noted that a similar law has not yet been adopted in Israel.

In May 2023, the IASB issued an Amendment to IAS 12, Income Taxes (hereinafter in this section - the "Amendment"), following the OECD–BEPS Pillar Two international tax reform (hereinafter - "Pillar 2" or the "International Tax Reform"), to clarify that the standard applies to taxes on income arising from tax laws that have been enacted or substantively enacted for the purpose of applying Pillar 2.

The amendment includes:

(a) A temporary exemption to application of the provisions of the amendment for recognition and disclosure of deferred tax assets and liabilities arising from the adoption of the Pillar 2 rules (hereinafter - “Temporary Exemption); and
(b) Focused disclosure requirements for multinational entities that are affected by the International Tax Reform, which includes disclosure of the amounts of current taxes related to Pillar 2 and quantitative and qualitative information to aid users of the financial statements understand the entity's exposure to tax payments arising from Pillar 2.

The Temporary Exemption presented in Section (a) above applies immediately and disclosure on its application is required and is applied retrospectively in accordance with the provisions of IAS 8. The other focused disclosure requirements mentioned in Section (b) above apply to annual reporting periods starting from January 1, 2023 or thereafter.
The Group applies the Temporary Exemption and, therefore, deferred tax assets and liabilities from adoption of the Pillar-2 rules are not disclosed and not recognized. For further information, see Note 28A2B.

W. Disclosure of new IFRSs in the period prior to their adoption

1. Amendment to IAS 1, Presentation of Financial Statements (classification of liabilities as current or non-current)

In January 2020, an amendment to IAS 1 was published regarding classification of liabilities as current or non-current (hereinafter - the “2020 Amendment”). The amendment clarified that classification of liabilities as current or non-current is based on the entity’s rights to defer settlement at the end of the reporting period and is unaffected by the entity’s expectations that these rights will be exercised.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

W. Disclosure of new IFRSs in the period prior to their adoption (cont.)

1. Amendment to IAS 1, Presentation of Financial Statements (classification of liabilities as current or non-current) (cont.)

The amendment removed the reference to the existence of an “unconditional right” to defer the extinguishment of a liability for at least 12 months subsequent to the reporting period, and clarified that if the right to defer settlement is conditional on compliance with financial covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date.

The amendment only affects the classification of liabilities as current or non-current in the statement of financial position and not the amount or the timing of the recognition of those liabilities or the income and expenses related to them.

In October 2022, another amendment regarding classification of liabilities with financial covenants was published (hereinafter - the “2022 Amendment”) clarifying that only financial covenants that the entity is required to comply with on or before the reporting period affect its right to defer settlement of a liability for at least 12 months after the reporting period, even if compliance with them is actually tested after the reporting period. On the other hand, financial covenants that the entity is required to comply with at a date later than the end of the reporting period do not affect the right at the end of the reporting period.

In addition, the 2022 Amendment stipulates that if the entity has the right to defer the extinguishment of the liability by at least 12 months subsequent to the reporting period, subject to compliance with financial covenants within 12 months after the reporting period, the entity is required to disclose information that enables users of the financial statements to understand the underlying risk.

The other amendments published under the 2020 Amendment remained unchanged. The 2020 Amendment and the 2022 Amendment will be applied for annual reporting periods beginning on or after January 1, 2024. Early application is permitted, provided that both amendments are implemented simultaneously.

NOTE 3 - CASH AND CASH EQUIVALENTS

	December 31	
	2023	2022
	NIS million	
In NIS	880	1,175
Foreign currency (primarily USD)	717	984
	1,597	2,159

NOTE 4 - SHORT-TERM INVESTMENTS

	December 31	
	2023	2022
	NIS million	
Financial assets at fair value through profit or loss	2	4
Restricted bank deposits *)	717	1,543
	719	1,547

*) As at December 31, 2023, the deposits include approx. USD 157 million (approx. NIS 569 million) pledged as part of various financing agreements of the Group and Partnership. As at December 31, 2023, the USD deposits bear annual interest at a rate of 6%-4.85%. The deposit balance in NIS.

NOTE 5 - RECEIVABLES

A. Composition:

	December 31	
	2023	2022
	NIS million	
Trade receivables	980	813
Accrued income	718	314
	1,698	1,127
Less provision for doubtful accounts	7	-
Trade receivables, net	1,691	1,127

B. To calculate expected credit losses, the Group assesses all customer balances with balances that are open for more than 90 days (past due receivables).

NOTE 6 - RECEIVABLES AND DEBIT BALANCES

	December 31	
	2023	2022
	NIS million	
Prepaid expenses and advances to suppliers	219	54
Loan to Energean under the sale of Karish and Tanin leases (1)	168	45
Future production-based royalties from Karish and Tanin leases (1)	260	234
Receivables (mainly Ministry of Energy) in respect of royalties (Note 11I below)	88	-
Amounts receivable for obligation to decommission assets (see Note 20(1) below).	110	134
Amounts receivable from associates	42	6
Institutions	16	27
Receivables for joint ventures	433	958
Other accounts receivables	185	64
	1,521	1,522

(1) See Note 8C.

NOTE 7 - INVENTORIES

	December 31	
	2023	2022
	NIS million	
Crude oil inventory	219	308
Fruit inventory	124	-
Related material inventory *)	336	314
	679	622

*) After a provision for slow-moving inventory of related materials in the amount of NIS 129 million as at December 31, 2023 (in 2022 - approx. NIS 125 million).

NOTE 8 - LONG-TERM LOANS, DEPOSITS AND DEBIT BALANCES

A. Composition:

	Note	December 31	
		2023	2022
		NIS million	
Loans			
Loan recognized for the sale of The Phoenix (Section (b) below)		200	185
Loan to Energean under the sale of Karish and Tanin leases (Section (c) below)		-	143
		200	328
Other long-term balances			
Future production-based royalties from Karish and Tanin leases (Section (c) below)		760	903
Access fee for the Blue Ocean agreement	11H1(c)	336	355
Amounts receivable for obligation to decommission assets	20(1)	599	573
Amounts receivable from an associate		71	83
Restricted deposits (1)		631	95
Ministry of Energy for royalties	11I'	57	107
Receivables for joint ventures (2)		403	327
Others		113	63
		2,970	2,506
		3,170	2,834

(1) As at December 31, 2023, the deposits include approx. USD 114 million (approx. NIS 413 million) pledged as part of various financing agreements of the Group and Partnership. As at December 31, 2023, the USD deposits bear annual interest at a rate of approx. 4.8%. The deposit balance in NIS.

(2) The balance includes mainly the cost of constructing natural gas transmission systems from Israel to Jordan and Egypt in the Leviathan project amounting to approx. USD 106 million (2022 - approx. USD 93 million). For information about the construction of the transmission system from the Leviathan project to Jordan, see Note 11H1(b) below. It should be noted that the cost of construction of natural gas transmission systems from Israel to Jordan in the Leviathan project decreases over the agreement term with NEPCO.

NOTE 8 - LONG-TERM LOANS, DEPOSITS AND DEBIT BALANCES (cont.)

B. Loan recognized for the sale of The Phoenix

In 2019, the transaction was completed for the Company's sale of approx. 32.5% of the share capital of The Phoenix to a company controlled by international private equity funds (hereinafter - the "**Acquirer**").

Part of the sale proceeds paid by the Acquirer was financed by a senior loan of NIS 548 million received by the acquirer from financial institutions (hereinafter - the "**Senior Loan**"). The balance of the Senior Loan as at December 31, 2023 amounts to NIS 308 million. The loan is for a period of five years, with two options for extension of one year each, subject to the fulfillment of certain conditions. The interest for the senior loan will be paid every six months under the terms set out in the agreement. The interest and principal of the loan will be repaid from the dividends to be received by the Buyer from The Phoenix in the loan period and from the consideration claimed from it from the sale of The Phoenix shares. The Company signed a credit support document (hereinafter - the "**Credit Support Agreement**") with the financial institutions to back up the loan in certain events stipulated in the agreement, including backing for interest payments by the Buyer, payment of certain fees for the loan, including early repayment fees, and also undertook to guarantee some of the Buyer's liabilities and in this respect, to deposit certain marketable securities and/or financial deposits at a total initial amount of NIS 70 million, and the amounts may exceed a maximum amount of up to 50% of the amount of the Senior Loan (plus the amount deposited in a reserve to guarantee interest on the Senior Loan), if the events defined in the agreement occur, including, inter alia: 1. non-compliance with certain financial conditions with respect to The Phoenix and/or the Senior Loan defined in the liability agreement; 2. A downgrade in the credit rating of The Phoenix (below a rating of BBB+); 3. a material debt of the Company (as this term is defined in the agreement) was called for immediate repayment due to an event of default; 4. the Company breached a commitment to pay a debt of least NIS 25 million for a material debt; and 5. a downgrade in the credit rating of the Company which constitutes an event of default in respect of the material debt. If the Company breaches its obligation to deposit the required amounts and in the event of a breach of representation for the financial statements of The Phoenix, the maximum amount it may be required to deposit may exceed 100% of the amount of the Senior Loan, and then the Company has the right to call for the endorsement of the Senior Debt.

In addition, as part of the agreement to sell The Phoenix shares, the Company provided a subordinate loan of approx. NIS 235 million to the Buyer (hereinafter - the "**Seller's Loan**"). The loan is for a period of 5 years (with an option to extend for two more years under certain conditions). The loan will bear interest at a rate that will cause the Acquirer to pay for both the Senior Loan and the Subordinated Loan a rate of 4% per year for the first 5 years, 7% for the sixth year, and 8% for the seventh year. The interest and principal of the loan will be paid out of the dividend receipts by the Buyer, proceeds from the sale of The Phoenix shares, as well as adjustments to the transaction price that the Company undertook to pay to the Buyer under certain conditions, as set out below. To secure its liabilities related to the loan, the Buyer pledged, among other things, The Phoenix shares that it holds in favor of the Company as a second-ranking lien. It should be noted that interest for the Senior Loan that the Company is required to pay under the support agreement is added to the reserve of the Seller's Loan.

The sale agreement stipulated adjustments to the sales price, which may result in an increase in the total consideration to be received by the Company in an amount of up to approx. NIS 866 million, subject to certain adjustments, or to a reduction in the total consideration of up to approx. NIS 196 million. These adjustments include reference to the previous profits of The Phoenix at the completion date, adjustments arising from an increase or decrease in the value of The Phoenix shares, including for a notional option granted to the Buyer for 7.5% of The Phoenix shares (hereinafter - the "**Option**") and the rate of return of the Buyer in the investment period in The Phoenix.

NOTE 8 - LONG-TERM LOANS, DEPOSITS AND DEBIT BALANCES (cont.)

B. Loan recognized for the sale of The Phoenix (cont.)

The Seller's Loan, components of contingent considerations, and future adjustments (including for the Option) are measured in the financial statements at fair value through profit or loss. As at December 31, 2023, the net fair value of these instruments amounts to approx. NIS 200 million (as at December 31, 2022 - approx. NIS 185 million). The fair value was assessed by an external independent appraiser using the Longstaff-Schwartz model, assuming risk neutrality. In addition, the annual standard deviation of The Phoenix shares was estimated at approx. 29% and the annual dividend yield was estimated at approx. 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.
The profit generated for the Company as a result of the revaluation of the loan amounted to approx. NIS 22 million in 2023 (in 2022 - a loss of approx. NIS 4 million and in 2021, a profit of approx. NIS 84 million) and it is included in the statement of income under profit (loss) from discontinued operations.

C. Rights in the I/17 Karish and I/16 Tanin leases (hereinafter - the “**Karish and Tanin Leases**”)

In August 2019, the Partnership (hereinafter - the “**Seller**") signed an agreement with Ocean Energean Oil and Gas Ltd. (hereinafter - the “Acquirer" or "**Energean**"), for the sale of all of the rights of the Partnership and Chevron in the Karish and Tanin leases, in accordance with the terms set out in the agreement. On the completion date of the transaction, the Buyer paid the Partnership an amount of USD 40 million. The balance of the consideration, amounting to USD 108.5 million, is paid to the Partnership in ten equal annual payments (hereinafter - the “**Annual Payments**” or the “**Loan**”), plus interest in the mechanism and at the rate set out in the agreement, as from March 2018. In addition, the consideration for the sale of the leases included the right to royalties from the natural gas and condensate to be produced from the leases, at a rate of 7.5% - before payment of the Petroleum Profits Levy under the Taxation of Profits from Natural Resources Law, 2011 (hereinafter - the “**Levy**”) for the leases, and at a rate of 8.25% - from the date payment of the Levy begins, less the liability for overriding royalties that were transferred to the Buyer under the agreement, according to the Seller’s undertaking for its share and in accordance with the duty to pay the royalty holders.

On January 14, 2021, a final investment decision was made for the development of the Karish North Reservoir, which will allow, together with the upgrade of the production systems, maximum annual production of approx. 8 BCM through a floating production, storage, and offloading facility (FPSO). According to Energean’s reports, first gas production from the Karish North reservoir started at the end of February 2024.
The Partnership engaged an independent external appraiser to estimate the fair value of the remaining annual royalties and payments as of December 31, 2023. Below are the main parameters of the valuations used to measure the annual royalties and payments: the discount rate for the annual payments is estimated at 7.81% (2022 - 6.95%); the discount rate before it was estimated for the royalty component is 10.88% (2022 - 10.5%). The State’s royalties rate in the wellhead is 11.06%, Gas production from the Karish lease: starting from the third quarter of 2024 until 2042; projected average annual production rate from the Karish lease: approx. 3.64 BCM of natural gas; average annual production rate from the Karish lease: approx. 4.59 million barrels of condensate; dates of gas production from the Tanin lease: starting from 2030 until 2041; projected average annual production rate from the Tanin lease: approx. 2.17 BCM of natural gas; average annual production rate from the Tanin lease: approx. 0.37 MMBL of condensate; total estimated contingent resources of natural gas and hydrocarbon liquids used in the appraisal for measurement of the royalties: approx. 99.6 BCM and approx. 95.6 MMBBL, respectively.

The revised valuation is mainly due to discount rates, a change in the estimated production rate published by Energean, the sales price, and the passage of time (see also Note 17A(6) below).
The agreement also sets out that in obtaining financial closing by Energean (hereinafter - the “Financial Closing”) for the costs of the first phase of the approved Karish and Tanin development plan plus the entire financial consideration (100%) for the Sold Asset as set out in the Sale Agreement (USD 148.5 million), Energean will be required to pay the balance of the consideration immediately.

NOTE 8 - LONG-TERM LOANS, DEPOSITS AND DEBIT BALANCES (cont.)

C. Rights in the I/17 Karish and I/16 Tanin leases (cont.)

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. It is noted that on September 22, 2022, Energean paid an amount of approx. USD 12.4 million for the periodic payment of 2022, which included the principal and semi-annual interest. Accordingly, the Partnership insists on its right to receive the balance of the cost of annual interest from Energean as well.

On May 31, 2022, the Partnership filed a monetary claim against Energean in a total amount of USD 65.1 million, plus statutory linkage differences and agreed annual interest differences at an annual rate of 4.6% as of the lawsuit date. The Partnership's position is that Energean's announcement of April 30, 2021 on the debenture issue of USD 2.5 billion and the release of the issuance funds to its accounts, constitutes grounds for immediate payment of the remaining consideration. On May 10, 2023, the parties submitted a joint notice to the court agreeing to mediation, without delaying the investigation of the claim. On August 13, 2023, the court approved an agreed arrangement of hearings between the parties, under which, among other things, a pre-trial hearing was set for December 7, 2023. On November 5, 2023, the validity of a judgment was given to the agreements reached between the parties according to which Energean will pay the Partnership a total of approx. USD 47.4, in two installments during 2024, which constitutes the entire balance of the consideration plus agreed annual interest. The above constitutes full and final settlement of the claims of the parties in respect of the disputes are the subject of the legal proceedings. It should be noted that between the date of claim and date of the above arrangement, Energean paid the annual installments in September 2022 and April 2023 of approx. USD 12.4 million and approx. USD 13.3 million, respectively.

It should be noted that Energean and the Partnership corresponded about Energean’s allegations regarding the Partnership’s rights to royalties from the Karish and Tanin leases. According to Energean: (1) the Partnership's overriding royalty does not apply to the Karish North Reservoir (contrary to the Karish Reservoir); (2) not all of the liquid hydrocarbons produced from the Karish lease constitute condensate under the Sale Agreement, which requires royalties to be paid. The Partnership's position, based on the opinion of its legal counsel, is that Energean's obligation to pay royalties applies to the natural gas and condensate to be produced from the leases, including from the Karish North Reservoir, and that all the liquid hydrocarbons that will be produced from the reservoirs in the leases’ areas constitute condensate as defined in the agreement, which is subject to royalties. It should be noted that, towards the end of October 2022, Energean reported the production of first gas from the Karish lease and its sale to its customers, and accordingly, it started to pay royalties to the Partnership under the agreement as set out above. Up to the approval date of the Financial Statements, Energean pays the Partnership royalties in respect of the condensate produced from the Karish lease, under protest.

NOTE 9 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS

A. Information about the consolidated companies and business combinations

(1) Investment in shares of Ithaca Energy Limited (hereinafter - "Ithaca”)

(a) As at December 31, 2023 (and further to the IPO of Ithaca on the London Stock Exchange and the exercise of options, as set out below), the Company holds approx. 88.55% of the share capital of Ithaca, which operates in oil and gas exploration, production and sale in the North Sea, holds rights to oil assets in the North Sea, in territorial waters of the UK, and is the operator in most of its assets.

NOTE 9 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS (cont.)

A. Information about the consolidated companies and business combinations (cont.)

(1) Investment in shares of Ithaca Energy Limited (hereinafter - "Ithaca") (cont.)

(b) Issuance of Ithaca shares on the London Stock Exchange

On November 9, 2022, the Group completed the IPO and listing of Ithaca's shares on the premium listing of the London Stock Exchange. Under the IPO, approx. 105 million new shares of Ithaca were offered for sale at a total value of approx. GBP 262.5 million (approx. USD 300 million), representing approx. 10.4% of the issued share capital of Ithaca at the date of the IPO, such that the rate of the Group's holding in Ithaca immediately after the IPO decreased from 100% to 89.6%. All the proceeds from the IPO were transferred to the Company.
Subsequent to the IPO, the Group maintains control in Ithaca, therefore the profit arising for the Group from the IPO in the amount of approx. NIS 32 million), is recognized directly in the capital attributable to the Company's shareholders in under the item "Transaction reserve with the holders of non-controlling interests".

(c) In 2023, Ithaca distributed a dividend in the amount of USD 266 million (the Company's share is approx. USD 238 million (approx. NIS 873 million).

In addition, subsequent to the balance sheet date, on March 20, 2024, Ithaca announced a distribution of an additional dividend in the amount of USD 134 million (the Company's share is approx. USD 119 million (approx. NIS 430 million)).

(d) Shortly before the date of the IPO, as outlined in Section B above, Ithaca approved compensation plans for its employees and officers, which include a share-based payment.
In this context, an equity-based compensation plan was approved for Ithaca's Chairman of the Board. Under the plan, the Chairman of the Board of Ithaca was allotted shares that in the IPO were converted into approx. 1.8 million Ithaca shares. Under the plan, in certain events, the Chairman of the Board of Ithaca is entitled to a bonus of USD 10 million less the bonuses paid to him after September 2021, in lieu of the above shares. On December 1, 2023, Ithaca announced the transfer of 1.8 million shares by the Chairman of the Board to the trustee in consideration for payment of the balance of the bonus due to him in accordance with the plan, in the amount of USD 8 million.

Furthermore, the Chairman of the Board and CEO of Ithaca were allotted options for Ithaca shares at a value of 0.2% of the value of Ithaca at the IPO date, in return for an exercise premium of GBP 0.01 per option. The options allotted to the Chairman of the Board of Ithaca vested immediately on the date of Ithaca's IPO. The options allotted to the CEO vest over a period of 5 years from July 21, 2021 until July 20, 2026. On December 29, 2022, the Ithaca's Chairman of the Board announced the exercise of 60% of the options. Accordingly, the Chairman of the Board was issued shares representing approx. 0.32% of Ithaca's capital at that date (the issued shares amount to approx. USD 3 million).

In 2023, the cost of share-based payment in respect of the above option plan amounted to approx. USD 16 million (2022 - approx. USD 14 million).

On October 5, 2023 Ithaca issued 7,807,305 shares under share-based payment plans to its employees.

Subsequent to the said issuances the Group's holding rate of Ithaca dropped to 88.55%. The said decrease in holding rate did not have a material effect on the Financial Statements.

NOTE 9 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS (cont.)

A. Information about the consolidated companies and business combinations (cont.)

(1) Investment in shares of Ithaca Energy Limited (hereinafter - "Ithaca”) (cont.)

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

On February 4, 2022, the transaction was completed for Ithaca’s acquisition of the entire share capital of Marubeni Oil and Gas (UK) Limited. Limited (hereinafter - the “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 approx. 41.3% in oil assets in the MonArb area (which has 9 producing oil fields). In addition, as of the acquisition date, Marubeni has carryforward tax losses totaling approx. USD 1.5 billion as at the acquisition date.

The total non-contingent consideration (after the adjustments stipulated in the Acquisition Agreement) amounted to approx. 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 in the period until December 2024.

The assets and liabilities of Marubeni were consolidated in Ithaca's financial statements as from the transaction completion date, as outlined above. The fair value of the assets acquired and the liabilities assumed in the business combination was based on a valuation prepared by an external appraiser, based, among other things, on the reserves of the acquired assets as estimated by an external independent reserves appraiser. The main assumptions regarding the oil and gas prices used in the valuation are as follows: future Brent oil prices of approx. USD 76 per barrel in 2022, approx. USD 69 per barrel in 2023, approx. USD 71 per barrel in 2024, and reaching USD 74 per barrel in 2026; and future gas prices of 164 pence/therm in 2022, 99 pence/therm unit in 2023, 68 pence/therm in 2024, and reaching 56 pence/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.

NOTE 9 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS (cont.)

A. Information about the consolidated companies and business combinations (cont.)

(1) Investment in shares of Ithaca Energy Limited (hereinafter - "Ithaca") (cont.)

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

Fair value of the identifiable assets acquired and liabilities assumed in the business combination at the acquisition date:

	USD million	NIS million
Cash and cash equivalents	171	547
Current assets	37	119
Investments in oil and gas exploration and production	323	1,033
Deferred taxes	656	2,099
	1,187	3,798
Current liabilities	(5)	(16)
Non-current liabilities (mainly decommissioning liabilities)	(253)	(809)
	(258)	(825)
Identifiable assets, net	929	2,973
Net of a gain from a bargain purchase *)	(619)	(1,981)
Total acquisition consideration	310	992

*) The gain from a bargain purchase in the amount of approx. USD 619 million (approx. NIS 2 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.

Composition of acquisition cost:

	USD million	NIS million
Consideration paid in cash	108	346
Present value of deferred consideration	68	217
Fair value of contingent consideration *)	134	429
	310	992

*) The fair value as of the acquisition date was calculated using a discount rate of 2.5%.

(g) 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”).
Ithaca paid a consideration of approx. USD 926 million at the Transaction Completion Date. It should be noted that in addition to this amount and as part of the acquisition consideration set out in the agreement, in 2022, Ithaca made early repayment of the debentures of Siccar Point totaling approx. USD 200 million, which existed on completion of the transaction.

NOTE 9 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS (cont.)

A. Information about the consolidated companies and business combinations (cont.)

(1) Investment in shares of Ithaca Energy Limited (hereinafter - "Ithaca") (cont.)

(g) Business combination - Siccar Point Energy (Holdings) Limited (cont.)

In addition to the said non-contingent consideration, the agreement sets out a contingent future consideration of up to approx. 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 approx. 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 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 according to a provisional measurement (in accordance with the provisions of IFRS 3) when such a measurement was completed during the reporting period by an external appraiser, based, among other things, on the reserves of the acquired assets as estimated by an external independent reserves appraiser. The main assumptions regarding the oil and gas prices used in the valuation are as follows: future Brent oil prices of approx. USD 103 per barrel in 2022, approx. USD 95 per barrel in 2023, approx. USD 85 per barrel in 2024, and a price of USD 78 per barrel in 2025; and future gas prices of 264 pence/therm in 2022, 188 pence/therm unit in 2023, 121 pence/therm in 2024, and reaching 78 pence/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.

NOTE 9 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS (cont.)

A. Information about the consolidated companies and business combinations (cont.)

(1) Investment in shares of Ithaca Energy Limited (hereinafter - "Ithaca") (cont.)

(h) Business combination - Siccar Point Energy (Holdings) Limited

Fair value of the identifiable assets acquired and liabilities assumed in the business combination at the acquisition date:

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

*) In 2022, Ithaca repaid the said balance of the debentures.

**) Following the acquisition, Ithaca recognized a profit from the bargain purchase in an amount of approx. USD 704 million (approx. NIS 2.5 billion). As part of the transaction, Ithaca acquired significant carryforward tax losses (amounting to approx. 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 commercial discoveries undeveloped as of the acquisition date, such as Cambo and Rosebank, 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.

Composition of acquisition cost:

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

*) The fair value as of the acquisition date was calculated using a discount rate of 4.25%.

NOTE 9 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS (cont.)

A. Information about the consolidated companies and business combinations (cont.)

(1) Investment in shares of Ithaca Energy Limited (hereinafter - "Ithaca") (cont.)

(i) Business combination - Summit Exploration and Production Limited

In February 2022, Ithaca signed an agreement with Sumitomo Corporation for the acquisition of 100% of the share capital of Summit Exploration and Production Limited (hereinafter - “Summit”). The transaction was completed on June 30, 2022.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 a total of approx. 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.

Fair value of the identifiable assets acquired and liabilities assumed in the business combination at the acquisition date:

	USD million	NIS million
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.

(j) Subsequent to the balance sheet date, on March 26, 2024, Ithaca entered into an exclusivity agreement with ENI under which ENI will transfer to Ithaca exclusivity rights to a potential business combination between the two companies. Under the business combination, Eni will transfer most of its oil and gas assets in the North Sea to Ithaca, in return for allocation of 38%-39% of Ithaca’s share capital (such that Ithaca Group’s holding rate decreased to approx. 54%). Completion of the transaction will be subject, among other things, to publication of specifications by Ithaca, obtaining the approval of the general meeting of Ithaca shareholders, and receiving regulatory approvals.

(k) For information about the open hedging transactions on oil and gas prices, as at December 31, 2023, see Note 17A(4).

(l) For further information about the oil and natural gas assets of Ithaca and the assessments of their recoverable amount in 2021-2023, see Note 11L(5).

(m) For information about the lien on Ithaca’s shares, see Note 16C(1).

NOTE 9 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS (cont.)

A. Information about the consolidated companies and business combinations (cont.)

(2) Investment in NewMed Energy

(a) As at December 31, 2023, the Company holds (directly and indirectly) approx. 54.7% of the capital of NewMed Energy - Limited Partnership (hereinafter - "**NewMed Energy**" or the "**Partnership**") which operates in the energy segment and is mainly engaged in exploration, development, and production of natural gas, condensate, and oil in Israel and Cyprus, and in advancing various natural gas-based projects, with the aim of increasing sales of natural gas produced by the Partnership. At the same time, the Partnership is assessing business opportunities for exploration, development, production, and marketing of natural gas, condensate, and oil in other countries, and is also assessing and promoting options for investments in renewable energy project as part of the collaboration with Enlight Renewable Energy Ltd. (hereinafter - "Enlight"), and is weighing options for entry into the sectors of hydrogen, including blue hydrogen, which is produced from natural gas, as a low-carbon alternative for energy consumers.

(b) In 2023, NewMed Energy distributed a dividend distribution of approx. USD 260 million; the Group's share amounts to approx. USD 142 million (approx. NIS 525 million). In 2022, NewMed Energy distributed a dividend distribution of approx. USD 200 million; the Group's share amounts to approx. USD 109 million (approx. NIS 367 million).
As of March 18, 2024, subsequent to the balance sheet date, NewMed Energy declared a profit distribution of USD 60 million, which was distributed in April 2024. The Group's share in said profits is approx. USD 33 million.

(c) On March 27, 2023, the general partner received a non-binding indicative offer (hereinafter - the "Offer") from Abu Dhabi National Oil Company (ADNOC) P.J.S.C. and BP Exploration Operating Company, two international energy companies (hereinafter jointly - the "Consortium"), regarding a possible transaction under which the Consortium will acquire for cash all Issued Unit Capital held by the public (approx. 45%) and will also acquire approx. 5% of the Issued Unit Capital from the Company, such that following closure of the transaction, the Consortium and the Company will each hold 50% of the equity and controlling interests in the Partnership, by approval of an arrangement pursuant to Section 350 of the Companies Law, 1999 (hereinafter - the "Companies Law"). The Consortium's Offer, which as noted is non-binding and subject to conditions, is to pay NIS 12.05 per unit acquired. This price reflects a premium of approx. 72% compared to the closing price of the units on the TASE on March 26, 2023 (NIS 6.996) or a premium of approx. 76% and approx. 60% compared to the average closing price of the units on the TASE in the 30 and 90 trading days preceding the date of the Offer, respectively. The offer sets out terms which the Consortium seeks to regulate with the Company the joint control of the Partnership following completion of the transaction as well as other terms of the transaction, including completion of due diligence, reaching detailed agreements with the Company on all relevant issues, and receipt of all other agreements and approvals required. It should be clarified that the Consortium may withdraw and cancel the Offer at any time and for any reason.
On March 27, 2023, the general partner's board of directors held a meeting on the Consortium's Offer, and due to the Company's vested interest in the transaction and the materiality of the transaction, it was decided to appoint the Audit Committee, whose composition includes only three external directors (hereinafter - the "Committee"), to examine and decide on each issue connected to the acquisition of the public's units in the proposed transaction and to take all measures necessary to exercise the Committee's authority. The Committee was also authorized to decide not to carry out the transaction or to subject its approval to conditions or request to receive and examine alternative offers, all as its deems fit.

NOTE 9 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS (cont.)

A. Information about the consolidated companies and business combinations (cont.)

(2) Investment in NewMed Energy (cont.)

(c) (cont.)

It should be noted that if the agreements required with the Company are achieved and the Committee's recommendation to approve the transaction is received, then approval of the transaction by way of an arrangement pursuant to Section 350 of the Companies Law and closure and execution of the transaction will be subject to the approval of the court, which will supervise the arrangement, approval of the arrangement by the general meeting of the unit holders by a 75% majority of all holders (including the Company and its related parties), approval by ordinary majority of the unit holders among the public (excluding the Company and its related parties), and receipt of the other regulatory approvals and third party approvals required for closure of a transaction of this kind.
It should be noted that during 2023, the Committee held regular meetings to promote the transaction, with the assistance of legal and financial advisors who were appointed for this purpose, and at the same time, the consortium conducted due diligence regarding the Partnership, and its assets and business. On March 13, 2024, subsequent to the balance sheet date the Partnership and committee announced in immediate reports that the committee and consortium agreed, against the background of uncertainty formed in the external environment, to suspend the discussions on the transaction. They also announced that the consortium re-expressed interest in the transaction, and that the process will be suspended until the discussions are renewed or the processes is terminated. It should be noted that there is no certainty that the discussions will be renewed or that an agreement will be reached in future, and there is no certainty regarding the terms and conditions of the agreement, if reached.

(d) In July 2022 (the award date), the CEO of the Partnership's general partner was awarded, without consideration, 3,295,599 non-marketable options exercisable for 3,295,599 participation units, under the compensation policy and the options plan in accordance with Section 102 of the Income Tax Ordinance [New Version], 1961. The options will vest in three equal annual tranches, starting from the approval date. The exercise price of the first tranche is NIS 8.66, equal to the average closing price of the participation units on the TASE at the end of the 30 trading days preceding the approval date. The exercise price of the two remaining tranches will increase by 5% each year compared with the prior year. The value of the annual benefit arising from the allocation of the options, meaning, the economic value of the options at the approval date, divided by three, will not exceed NIS 3,300 thousand.
The fair value, as of the award date, of the options allotted to the CEO of the general partner amounts to approx. NIS 9.8 million (the fair value assessment was based on the binomial model). The main assumptions underlying the valuation are as follows: (1) A participation unit price of NIS 9.35; (2) An exercise price of each option (adjusted for distribution of profits) calculated according to NIS 8.66 for the first tranche, NIS 9.1 for the second tranche, and NIS 9.55 for the third tranche; (3) Standard deviation at a rate of 49.9%; (4) Risk-free interest at a rate of 2.31%; (5) expiration on August 1, 2027.

In addition, it should be noted that in 2019, Mr. Abu was granted phantom options; each of the three tranches in the package has vested and is exercisable until June 1, 2023. During 2023, Mr. Abu exercised each of the three tranches. The total consideration paid by the Partnership to Mr. Abu for exercising the phantom options amounted to approx. NIS 7.3 million.

(e) For information about the lien of the participation units, see Note 16 and Note 22.

(f) For information about the oil and gas assets of NewMed Energy, see Note 11.

NOTE 9 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS (cont.)

A. Information about the consolidated companies and business combinations (cont.)

(3) Mehadrin Ltd.

(a) On August 17, 2023, a transaction was completed for the acquisition of the entire holdings of Discount Investments Ltd. in Mehadrin Ltd. (hereinafter - "Mehadrin"), representing approx. 44.48% of the issued and paid-up share capital of Mehadrin. Mehadrin is a publicly company whose shares are listed on the Tel Aviv Stock Exchange Ltd., and through companies which it controls, it holds (by ownership and lease), among other things, extensive land reserves (in an estimated scope of approx. 1,110 hectares), as well as logistics assets, including cold storage warehouses, packing houses and logistics centers in Israel and abroad. Mehadrin operates in four main operating segments: 1) agriculture; 2) refrigeration; 3) water; and 4) income-generating assets.

In consideration for the transfer of the sold shares, the Company paid the seller an amount of approx. NIS 249 million.

Although the Company holds less than half of the voting rights in Mehadrin, it estimates that it has effective control thereof (inter alia, due to the Company's high holding rate of its voting rights, distribution of the rest of the voting rights, and due to the voting patterns at the general meetings of Mehadrin shareholders).

Following the acquisition of effective control, as set out above, the Group consolidates the assets and liabilities of Mehadrin as from the financial statements as at September 30, 2023. It should be noted that the fair value of the assets and liabilities of Mehadrin was included in the financial statements as at September 30, 2023, based on a provisional measurement, which was completed in the current financial statements based on a valuation by an external appraiser. Following completion of the measurement, the Group recognized a profit from a bargain acquisition in the amount of approx. NIS 124 million. The profit from the bargain acquisition was mainly due to the measurement of Mehadrin's real estate assets (which are accounted for at amortized cost) at their fair value, which is not fully reflected in the market price of Mehadrin's shares.

Fair value of the identifiable assets acquired and liabilities assumed in the business combination at the acquisition date:

	NIS million
Current assets	561
Property, plant and equipment	374
Right-of-use assets	245
Other non-current assets	356
Current liabilities	(508)
Non-current liabilities	(168)
Identifiable assets, net	860
Net of - non-controlling interests	(487)
The Group's share in identifiable assets, net	373
Net of - gain from the bargain acquisition	(124)
The total acquisition consideration was paid in cash	249

It should be noted that from the transaction completion date through to December 31, 2023, Mehadrin contributed an amount of approx. NIS 281 million to the Company's revenue and a non-material amount to its profit.

NOTE 9 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS (cont.)

A. Information about the consolidated companies and business combinations (cont.)

(3) Mehadrin Ltd. (cont.)

(b) Subsequent to the balance sheet date, the Group completed a tender offer, in which it acquired an additional approx. 10.83% of the share capital of Mehadrin (see Section (c) below), in consideration for approx. NIS 59 million. Accordingly, and taking into account the exercise of options by Mehadrin's employees, the rate of the Group's holding in Mehadrin increased to approx. 55%.

(c) It should be noted that in 2021-2023, Mehadrin granted share options to its employees. The right to exercise the option forms over three years from the grant date, in three equal tranches. The options will be exercised according to a net exercise mechanism (cashless), that is, based on the value of their inherent benefit. As at December 31, 2023, approx. 217 thousand units are in circulation.

B. Information about the principal associates

(1) Composition by company

			December 31	
			2023	2022
	Operating segment	Rate of holding	NIS million	
Delek The Israel Fuel Corp. Ltd. (hereinafter - "Delek Israel")	Fuel sales in Israel	24.75%	127	127
Delek Israel Properties (D.P.) Ltd.	Development of real estate assets in Israel	24.18%	172	154
EMED	For acquisition of rights to the EMG pipeline (see Note 11H(1)(c))	25%	212	211
Miriam Shoham Ltd. *)	An industrial plant that enhances different types of fruit using advanced mechanization lines. Focusing on exports.	50%	121	-
Other *)			8	-
			640	492

*) Companies held by Mehadrin.

(2) Condensed information from the financial statements of associates

Aggregate information for all associates:

	For the year ended December 31		
	2023	2022	2021
	NIS million		
Group share of results of associates based on percentage of interest held during the period (not including associates recognized as a discontinued operation):			
Profit *)	34	37	44
Other comprehensive income	-	-	-
Comprehensive income	34	37	44

*) After adjustments for excess cost.

(3) In 2023, Delek Israel distributed a dividend of NIS 50 million (the Company's share is NIS 12 million). In 2023, Delek Israel Properties distributed a dividend of NIS 25 million (the Company's share - NIS 6 million).
In 2022, Delek Israel distributed a dividend of NIS 100 million (the Company's share is NIS 25 million).

NOTE 9 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS (cont.)

C. Information about non-controlling interests

As at December 31, 2023

Company	Rate of holding in share capital and voting rights of non-controlling interests	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Total assets, net	Carrying amount of non-controlling interests
	%	NIS million					
NewMed Energy	45.3	2,061	15,595	765	8,451	8,440	3,895
Ithaca	11.45	3,061	19,324	3,888	9,902	8,596	1,043
Mehadrin	55.52	623	1,015	586	217	835	474

2023

Company	Revenue	Net income	Other comprehensive income (loss)	Total comprehensive income	Profit (loss) attributable to non-controlling interests	Comprehensive income (loss) attributable to non-controlling interests	Cash flows used in operating activities	Cash flows used in investing activities	Cash flows from finance activities	Translation differences	Net decrease in cash and cash equivalents	Dividends distributed to non-controlling interests
	NIS million											
NewMed Energy	3,457	1,540	215	1,755	700	801	2,058	95	(2,138)	12	27	(354)
Ithaca	8,531	1,170	344	1,514	125	160	4,417	(1,765)	(3,028)	40	(336)	(106)
Mehadrin	279	(23)	(1)	(24)	(13)	(14)	(47)	6	52	-	11	-

NOTE 9 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS (cont.)

C. Information about non-controlling interests (cont.)

As at December 31, 2022

Company	Rate of holding in share capital and voting rights of non-controlling interests	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Total assets, net	Carrying amount of non-controlling interests
	%	NIS million					
NewMed Energy	45.3	2,714	14,683	2,047	8,081	7,269	3,443
Ithaca	10.8	3,480	19,658	4,406	10,733	8,799	879

2022

Company	Revenue	Net income	Other comprehensive income	Total comprehen-sive income	Profit (loss) attributable to non-controlling interests	Comprehen sive income (loss) attributable to non-controlling interests	Cash flows used in operating activities	Cash flows used in investing activities	Cash flows from finance activities	Transla-tion differ-ences	Net decrease in cash and cash equiva-lents	Dividends distributed to non-controlling interests
	NIS million											
NewMed Energy	3,219	1,521	741	2,262	691	1,046	1,696	(919)	(1,442)	59	(606)	(190)
Ithaca	8,707	3,285	1,164	4,449	(151)	(77)	5,676	(4,604)	(361)	42	754	-

NOTE 9 - INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS (cont.)

C. Information about non-controlling interests (cont.)

As at December 31, 2021

Company	Rate of holding in share capital and voting rights of non-controlling interests	Current assets	Non-current assets		Current liabilities	Non-current liabilities		Total assets, net	Carrying amount of non-controlling interests
	%	NIS million							
NewMed Energy	45.3	1,806	13,359		1,196	8,585		5,384	2,584

2021

Company	Revenue	Net income	Other comprehen sive loss	Total comprehen sive loss	Profit attributable to non-controlling interests	Total comprehen sive loss attributable to non-controlling interests	Cash flows used in operating activities	Cash flows used in investing activities	Cash flows from finance activities	Transla-tion differ-ences	Net decrease in cash and cash equiva-lents	Dividends distributed to non-controlling interests (including payments made on account of tax)
	NIS million											
NewMed Energy	3,188	334	(195)	139	240	104	1,465	3,172	(4,152)	(25)	460	(691)

NOTE 10 - INVESTMENT PROPERTY

Movement

	2023	2022
	NIS million	
Balance as at January 1	355	327
Additions (reimbursements received)	(3)	2
Commencement of consolidation	173	-
Update of the liability of the provision for decontamination	7	20
Fair value adjustment	13	6
Balance as at December 31	546	355

A. The Company has rights to a building which serves as a hotel and is leased to the Company operating Fattal Hotels Ltd. (hereinafter - Fattal). The Company holds (in partnership) approx. 71.7% of the ownership rights in the building and Fattal holds the remaining approx. 28.3%.

As at December 31, 2023, the Company estimated the fair value of the building through an independent external real estate appraiser. According to the appraisal, the value of the building (the Company's share that constitutes investment property), including the value of the unutilized rights, amounts to approx. NIS 271 million. In light of the aforesaid, the Company recognized in 2023, an appreciation of the building in the amount of approx. NIS 22 million, which was included in the income statement under the other income (expenses), net line item.

B. As at December 31, 2023, the Company owns (on communal land) 25% of the rights in a real estate property in Acre. The Group and the shareholder of the remaining 75% signed a partnership agreement, according to which the parties will be partners in the land decontamination and development project proportionately to their holdings in the land.
As at December 31, 2023, the balance of the asset (25%) is presented under the investment property line item, at approx. NIS 103 million, and of the balance of the liability in respect of the estimated payment to ILA for completion of rights and decontamination (25%), totaling approx. NIS 49 million, approx. NIS 33 million is presented under current liabilities and approx. NIS 16 million under long-term liabilities.

C. Mehadrin holds the lease rights in a real estate property in Tzrifin, the value of which as at December 31, 2023 is approx. NIS 172 million. The property is leased under a capitalized lease from the Israel Land Authority until 2060 without the right of extension. The value of the property is based on the opinion of an independent external appraiser, with appropriate qualifications and experience in the type of property underlying the valuation and its location. The valuation was conducted using the income capitalization approach, according to the permitted use of the property as a packing house, under the working assumption that the lease will be extended for another lease term subject to Israel Land Authority procedures. The capitalization rate for a built-up area is 7.5%.

NOTE 11 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION

The Group operates mainly through NewMed Energy in exploration, development, production, and marketing of natural gas, condensate, and oil in Israel and Cyprus, and through Ithaca in exploration, development, and production of natural gas in the North Sea region.

NOTE 11 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

A. Composition

	Exploration and evaluation assets	Oil and gas production assets	Total
		NIS million	
Cost			
Balance as at January 1, 2022	808	24,699	25,507
Change during the year:			
Commencement of consolidation	2,473	3,798	6,271
Investments	376	1,209	1,585
Revision of the asset decommissioning liability	-	(928)	(928)
Derecognition (1)	(60)	-	(60)
Adjustments from translation of financial statements of foreign operations	124	3,341	3,465
Balance as at December 31, 2022	3,721	32,119	35,840
Change during the year:			
Investments	724	1,719	2,443
Transfer from oil and gas exploration and evaluations assets to oil and gas production assets (3)	(1,511)	1,511	-
Revision of the asset decommissioning liability	-	579	579
Derecognition (1)	(49)	-	(49)
Adjustments from translation of financial statements of foreign operations	140	896	1,036
Balance as at December 31, 2023	3,025	36,824	39,849
Accumulated depreciation, depletion and amortization			
Balance as at January 1, 2022	-	5,847	5,847
Amortization per year	-	2,186	2,186
Provision for impairment (2)	-	372	372
Adjustments from translation of financial statements of foreign operations	-	827	827
Balance as at December 31, 2022	-	9,232	9,232
Amortization per year	-	2,714	2,714
Provision for impairment (2)	-	1,220	1,220
Adjustments from translation of financial statements of foreign operations	-	218	218
Balance as at December 31, 2023	-	13,384	13,384
Amortized cost as at December 31, 2023	3,025	23,440	26,465
Amortized cost as at December 31, 2022	3,721	22,887	26,608

(1) In 2023 and 2022, certain licenses were declared as unsuccessful or as not commercially viable. As a result, the Group deducted the cost of the said licenses from exploration and evaluation assets and recognized expenses under other expenses (exploration and evaluation expenses).

(2) Regarding the provision for impairment of the gas and oil assets - see Section L(5) below.

Regarding a final investment decision (FID) in the Rosebank reservoir, see Section L(3) below.

NOTE 11 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

A. Composition (cont.)

Composition according to geographic areas (1):

	December 31	
	2023	2022
	NIS million	
In and around Israel		
Oil production assets - Ratio Yam joint venture (Leviathan)	11,906	11,374
Exploration and evaluation assets: Block 12, Cyprus	1,036	901
	12,942	12,275
Oil and gas assets in the North Sea		
Oil and gas production assets	11,534	11,513
Exploration and evaluation assets (2)	1,989	2,820
	13,523	14,333
Total	26,465	26,608

(1) Including attribution of excess cost.

(2) Exploration and evaluation assets in the North Sea region as at December 31, 2023 include mainly the carrying amount of the Cambo Reservoir (approx. USD 391 million (approx. NIS 1,418 million)) that was acquired during 2022 as part of a business combination. It should be noted that subsequent to the balance sheet date, in March 2024, the license was extended to March 31, 2026. Due to extension of the license as noted, and due to the existing plans to continue developing the reservoir, Ithaca management reached the conclusion that there are no signs of impairment of the value of the reservoir at this stage. Furthermore, it should be noted that Ithaca performs various actions to promote an FID in the reservoir; however, making such a decision may affect various macroeconomic factors, particularly the uncertainty in connection with the fiscal policy in the UK. The balance as at December 31, 2022 includes the carrying amount of the Cambo (approx. USD 364 million (approx. NIS 1,181 million)) and Rosebank (approx. USD 315 million (approx. NIS 1,108 million)) reservoirs.

NOTE 11 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

B. Rights in oil and gas exploration licenses

1. The rights of the Company and the Partnership in oil and gas exploration licenses in and around Israel

Project	Name of lease/license	Lease/concession	Rights valid until	Direct participation rate of the Company	Participation rate of NewMed Energy Partnership
Israel					
Yam Tethys project	Ashkelon	Lease	June 10, 2032	4.441%	48.50%
Yam Tethys project	Noa	Lease	January 31, 2030	4.441%	48.50%
Ratio Yam	I/14 Leviathan South and I/15 Leviathan North	Leases	February 13, 2044	-	45.34%
Cyprus					
Block 12	Block 12	Concession	November 7, 2044	-	30.00%

(1) The validity of the oil rights are extended from time to time and is contingent on fulfilling the commitments on dates set out in terms of the oil assets. Non-compliance with the terms and conditions could lead to cancellation of the oil rights. The leases were issued under the Petroleum Law, and they grant the partners in the leases special rights to produce oil and natural gas from the respective lease area for 30 years, with the right for a 20-year extension, in accordance with and subject to the provisions of the Petroleum Law.

(2) The operator of the joint venture in Israel is Chevron (hereinafter - the “Operator” or “Chevron”).

(3) On October 29, 2023, the Commissioner notified the Partnership and other partners that they had won the tender for the Cluster I licenses in the fourth competitive procedure for natural gas exploration in the northwestern EEZ of the State of Israel, which entitles them to 6 exploration licenses in Blocks 4, 5, 6, 7, 8, and 11 in the Mediterranean Sea, in Israel's EEZ. The Partnership holding rate of the Joint Venture is 33.33%. The Partnerships believe that the process of issuing the licenses to the partners is expected to be completed in the second quarter of 2024.

NOTE 11 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

B. Rights in oil and gas exploration licenses (cont.)

2. Ithaca's rights in the main oil and gas exploration licenses in the North Sea

Participation rate of Ithaca		Operator	Name of field/discovery	license	Block
2022	2023				
8.89%	8.89%	Equinor UK Limited	Mariner	P.979	9/11c
8.89%	8.89%	Equinor UK Limited	Mariner	P.726	9/11b
15.50%	15.50%	Chrysaor Petroleum Company U.K. Limited	Jade	P.672	30/2c
6.09%	6.09%	TotalEnergies E&P UK Limited	Elgin-Franklin	P.666	22/30c and 29/5c
20.00%	20.00%	Chrysaor Production (U.K.) Limited	Callanish	P.590	15/29b
35.30%	35.30%	BP Exploration Operating Company Limited	Schiehallion	P.559	204/25a
50.00%	50.00%	Ithaca SP E&P Limited	Suilven	P.556	204/19b and 204/20b
35.00%	35.00%	BP Exploration Operating Company Limited	Vorlich	P.362	30/1c
6.09%	6.09%	TotalEnergies E&P UK Limited	Elgin-Franklin	P.362	29/5b
13.70%	13.70%	Chrysaor Production (U.K.) Limited	Callanish	P.347	21/4a
35.75%	35.75%	Chrysaor Production (U.K.) Limited	Britannia	P.345	16/27b
8.89%	8.89%	Equinor UK Limited	Mariner	P.335	9/11a
85.00%	85.00%	Ithaca Energy (UK) Limited	Captain	P.324	13/22a
41.03%	41.03%	Repsol Sinopec Resources UK Limited	Arbroath, Arkwright, Carnoustie, Wood	P.292	22/18a
41.03%	41.03%	Repsol Sinopec Resources UK Limited	Arbroath, Arkright, Brechin, Carnoustie, Cayley, Shaw	P.291	22/17s, 22/22a and 22/23a
50.00%	50.00%	Ithaca Energy (UK) Limited	Erskine	P.264	23/26b
8.89%	8.89%	Equinor UK Limited	Mariner	P.2508	9/11d and 9/12b
60.00%	100.00%	Ithaca Oil and Gas Limited	F Block (Fotla and Fortriu)	P.2373	22/1b
100.00%	100.00%	Ithaca Oil and Gas Limited	Marigold	P.2158	15/18b
8.89%	8.89%	Equinor UK Limited	Mariner	P.2151	9/11g
36.67%	36.67%	Ithaca Oil and Gas Limited	Alba	P.213	16/26a
33.17%	33.17%	Ithaca MA Limited	Britannia	P.213	16/26a
21.85%	21.85%	Ithaca Oil and Gas Limited	N/A	P.213	16/26a
20.00%	20.00%	CNR International (U.K.) Limited	Columba E	P.203	3/7a
5.60%	5.60%	CNR International (U.K.) Limited	Columba B/D	P.199	3/8a and 3/8a
6.09%	6.09%	TotalEnergies E&P UK Limited	Elgin-Franklin	P.188	22/30b
61.35%	61.35%	Ithaca Energy (UK) Limited	Cook	P.185	21/20a
8.89%	8.89%	Equinor UK Limited	Mariner	P.1758	8/15a
100.00%	100.00%	Ithaca Energy (UK) Limited	Abigail	P.1665	29/10b
25. 5%	25. 5%	Chrysaor Petroleum Company U.K. Limited	Jade	P.1589	30/7b
100.00%	100.00%	Ithaca Energy (UK) Limited	Vorlich	P.1588	30/1f
20.00%	20.00%	Equinor UK Limited	Rosebank	P.1272	205/2a
20.00%	20.00%	Equinor UK Limited	Rosebank	P.1191	205/1a
73.68%	73.68%	Ithaca Energy (UK) Limited	Alder	P.119	15/29a
75.00%	75.00%	Ithaca MA Limited	Britannia	P.119	15/29a
70.00%	70.00%	Ithaca SP E&P Limited	Cambo	P.1189	204/4a and 204/5a
25.00%	25.00%	Chrysaor Production (U.K.) Limited	Brodgar	P.118	21/3a
34.01%	34.01%	Enterprise Oil Limited	Pierce	P.111	23/22a
33.03%	33.03%	Chrysaor Production (U.K.) Limited	Britannia	P.103	15/30a
50.00%	50.00%	Chrysaor Production (U.K.) Limited	Enochdhu	P.103	21/5a
70.00%	100.00%	Ithaca SP E&P Limited	Cambo	P.1028	204/9a and 204/10a
20.00%	20.00%	Equinor UK Limited	Rosebank	P.1026	213/26b and 213/27a
50.00%	50.00%	Ithaca Energy (UK) Limited	Erskine	P.057	23/26a
41.03%	41.03%	Repsol Sinopec Resources UK Limited	Montrose	P.020	22/18n
41.03%	41.03%	Repsol Sinopec Resources UK Limited	Godwin, Montrose	P.019	22/17s, 22/22a and 22/23a
100.00%	100.00%	Ithaca Energy (UK) Limited	Stella/Harrier	P.011	30/6a and 29/10a
10.00%	10.00%	Total Energies E&P North Sea UK Limited	Isabella	P.1820	30/11a and 30/12d
50.00%	50.00%	Ithaca SP E&P Limited	Tornado	P.2403	204/8, 204/9c, 204/10c, 204/13, 204/14d and 204/15

NOTE 11 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

C. Ratio Yam joint venture

The Ratio Yam joint venture is a joint venture for exploration, development and production of oil and gas in the areas of the I/15 Leviathan North and I/14 Leviathan South leases (hereinafter - the "Leases" and/or "Leviathan Leases"). Chevron is the operator of the joint venture.

See Section G below for information about the assessment of the reserves and contingent resources.

1. Plan for development of the Leviathan Reservoir

On June 2, 2016, the Petroleum Commissioner in the Ministry of Energy (hereinafter - the "Commissioner") approved the development plan as submitted by Chevron. On February 23, 2017, the Leviathan partners made a final investment decision (FID) for the development of Phase I - First Stage, with an annual capacity of approx. 12 BCM. As at the date of the financial statements, the total investment in the development of Phase 1 - First Stage amounted to approx. USD 4.1 billion (100%). Subsequent to the initial running-in period, on December 31, 2019, natural gas started to flow from the Leviathan Reservoir.

In June 2023, another producing well, the fifth, Leviathan 8, was connected to the Leviathan Project's existing subsea production system and production from it started in accordance with the schedules and within the budget.
Furthermore, to increase the gas production capacity to approx. 14 BCM per year as from mid-2025, on June 29, 2023 the Leviathan partners made a final investment decision (FID) to implement a project in which a third subsea transmission pipeline will be installed from the field to the platform, including upgrading of the systems on the platform (hereinafter - the "Third Pipeline"), with a total budget of approx. USD 568 million (100%, the Partnership's share is approx. USD 258 million).
Phase 1 - Second Stage – is expected to initially include, inter alia, 3 additional producing wells, as needed, related subsea systems, and expansion of the Platform's processing facilities to increase the total gas production capacity of the system to a total of approx. 21 BCM per year.
As at the approval date of the financial statements, the Leviathan partners are promoting the development of Phase 1 - Second Stage as specified above, with the aim of making a final investment decision (FID). This plan includes modular expansion of the natural gas flow infrastructure from the Leviathan Reservoir, as aforesaid, and may also include the installation of a fourth subsea transmission pipeline from the field to the platform (hereinafter - the "Fourth Pipeline"), which will enable a maximum daily production capacity of up to approx. 2,350 MMCF (approx. 21 BCM per year), and supply to consumers on the domestic market, and the regional market, and mainly to the Egyptian and LNG markets.

2. On June 21, 2023 and December 21, 2023, the Leviathan Project partners applied to the Commissioner of Petroleum Affairs in principle for approval to increase the export volume of natural gas from the Leviathan Project, in accordance with the government resolution applicable to gas exports from the Leviathan Reservoir through a regional pipeline, existing and future, or through a floating liquefied natural gas (FLNG) facility, together with increasing the volumes of natural gas from the Leviathan Project to the domestic market. As at the approval date of the financial statements, the Ministry of Energy's response to the partners' application has not yet been received and it is uncertain whether the application will be accepted, and if accepted, under which terms.

NOTE 11 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

C. Ratio Yam joint venture (cont.)

3. As part of promoting Phase 1 - Second Stage, in 2023 and 2024, in accordance with the Joint Operating Agreement, the Leviathan partners approved budgets amounting to approx. USD 44.9 million and approx. USD 19.9 million (100%, the Partnership's share is approx. USD 20.4 million and approx. USD 9 million), respectively, for performance and completion of the pre-FEED of the alternatives to expansion of the Leviathan Reservoir's production system, including the construction of subsea infrastructure, connection of additional producing wells and making the modifications required on the platform. As at the approval date of the financial statements, the Pre-FEED phase is complete and the operator believes that the FEED is expected to start in mid-2024.

   Furthermore, in those years, the Leviathan partners approved budgets amounting to approx. USD 51.5 million and approx. USD 11.4 million (100%, the Partnership's share is approx. USD 23.4 million and approx. USD 5.2 million), respectively, for performance of a pre-FEED to assess the different natural gas export alternatives, among other things, by the construction of a FLNG facility. In this regard, it should be noted that in the assessment of the option of constructing a FLNG facility, there were indications of material changes in the estimated construction costs of an FLNG facility; therefore, in 2024 the Leviathan partners intend to assess further options of constructing an FLNG facility, inter alia due to the option for a modular expansion of the Leviathan Project.

4. The Leviathan Project operator believes that prior to performance of the FEED, the estimated cost of Phase 1 - Second Stage (excluding the costs of the Fourth Pipeline and FLNG facility, if decided to approve them) is approx. USD 2.4 billion (100%, the Partnership's share being a total of approx. USD 1.09 billion); if a FID is made to develop Phase 1 - Second Stage in the first half of 2025, the estimated schedule for first gas production is expected to be in the period between mid-2028 and mid-2029.

5. Throughout the project's years of activity, additional production drillings will be required to enable production at the required volumes, based on the production system's and the field wells' redundancy level, as occasionally set by the Leviathan Partners.

6. Deep targets:

   In 2019, an analysis was performed of reprocessing of seismic surveys, among other things, in connection with exploration drilling to the deep targets in the Leviathan Leases (hereinafter - "Data Reprocessing"), as a result of which a new isolated carbonate buildup deep target was defined in the area of the Leviathan Leases. In addition, the Data Reprocessing analysis revealed that the two deep targets previously defined in the area of the lease should be reclassified and redefined as a single submarine clastic channel.
   In January 2020, NSAI submitted a report on the estimated prospective resources in the Leases, updated as at December 31, 2019. According to the report, the best estimate in the carbonate buildup for oil and gas is estimated at approx. 4.5 BCM and approx. 155.3 million barrels, respectively, and the best estimate in the clastic channel for oil and gas is estimated at approx. 6.5 BCM and approx. 223.9 million barrels, respectively. As at December 31, 2023, there were no changes in the information presented in this report. See Section G below for information about the uncertainty of the assessment of the reserves and resources. The Partnership intends to examine the possibility of characterizing, drilling and developing the deep exploration targets in the lease area.

NOTE 11 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

D. Block 12 in Cyprus

1) The Partnership has a production sharing contract whereby the Partnership holds 30% of the rights in Aphrodite Reservoir in Block 12 in the exclusive economic zone of Cyprus.

2) In November 2019, the holders of rights in the production sharing contract (hereinafter - the "Partners" and the "PSC", respectively) and the Cyprus government signed an amendment to the PSC (hereinafter - the "First Amendment to the PSC"), which modified, among other things, the mechanism for distribution of the natural gas output from the reservoir between the Partners and the Republic of Cyprus; concurrently, the Partners were granted a production and exploitation license (hereinafter - the "Production License"), and a development and production plan for the reservoir was approved (hereinafter - the "Development Plan").
Furthermore, in November 2022, an additional amendment to the Production Sharing Contract was signed, extending the deadline for the Aphrodite Reservoir partners' obligation to drill the additional appraisal/development drilling, A-3 (Aphrodite 3) (hereinafter - "Drilling A-3") and to complete it by August 2023 (the PSC and amendment to the PSC will be referred hereinafter collectively - the "Additional Amendment to the PSC".).

3) In the PSC the Partners undertook, among other things, to meet the main milestones for the development of the Reservoir, as follows:

A. Drilling of an appraisal/development well in the area of the license in accordance with the development plan and completion until August 2023.
B. Completion the FEED, delivery of the outputs in accordance with the Development Plan and adoption of a final investment decision (hereinafter - "FID") for development of the Reservoir, within 48 months after receiving the Production License (until November 2023).
C. The PSC sets out certain terms and conditions under which the Partners will be entitled to an extension for the purpose of meeting the milestones, with the deadline for adoption of an FID being 6 years after receiving the Production License, i.e. - by November 2025. It should be noted that non-compliance with the milestones set out in the PSC will constitute grounds for cancellation of the PSC, other than for reasons of force majeure (as defined in the PSC).

NOTE 11 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

D. Block 12 in Cyprus (cont.)

4) The development plan of the Aphrodite Reservoir, as approved by the Cypriot government in November 2019, includes the construction of a floating treatment and production facility in the license area, with an estimated maximum production capacity of approx. 800 MMCF/d (hereinafter - the ""Floating Production Facility"), through the first 5 producing wells and a subsea transmission system to the Egyptian market (hereinafter - the "Approved Plan").
Further to the assessment by the Aphrodite Reservoir partners of other development alternatives, with the aim of reducing the development costs and shortening the schedules for start of gas production from the reservoir, among other things, by integration with existing systems and/or development plans of adjacent assets in Egypt, on May 31, 2023, the partners filed a revised plan with the Cypriot government for development of the reservoir, including changes to the outline of the approved plan, according to which natural gas from the Aphrodite Reservoir will produced and treated through the construction of a subsea pipeline and connecting it to existing onshore and offshore infrastructure in Egypt, in lieu of constructing the floating production facility above the reservoir, which was included in the Approved Plan (hereinafter - the "Revised Plan"). However, the Cypriot government decided not to approve the Revised Plan, among other things, because, according to the Cypriot government, it is expected to increase the technical and commercial complexity of the reservoir development and is not expected to bring about the benefits alleged in the changes plan; therefore, the Partners were required to complete the FEED execution milestone set out in the PSC of November 2023, according to the Approved Plan, including construction of the floating production facility in the reservoir area.
Until the approval date of the financial statements, the Block 12 work plan has been complied with in full, except in connection with the FEED performance milestone. In meetings and correspondence with the Cypriot government, the Cypriot government's Energy Minister approved filing by the partners, by March 31, 2024, of a proposed optimal development plan for approval, such that if approved by the minister, the date for compliance with the milestone will be deferred, at the minister's discretion; the minister also clarified to the partners that the Republic of Cyprus reserves all its rights under the PSC in connection with a breach of the FEED execution milestone. As specified in Section B3 above, non-compliance with the milestone set under the PSC terms may, subject to certain conditions, establish cause for the Cypriot government to terminate the PSC and license.

NOTE 11 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

D. Block 12 in Cyprus (cont.)

4) (cont.)

As at the approval date of the financial statements, Chevron Cyprus is continuing discussions with the Cypriot government regarding the optimal development plan for the reservoir, including in connection with re-assessment of the Cypriot government's requirement to construct the floating production facility and the schedules for compliance with the FEED execution milestone, but there is no certainty that the Cypriot government will approve any changes to the details of the approved plan, in which case the government may impose sanctions against the partners in accordance with the provisions of the PSC. According to the appraisal of Chevron Cyprus, which was submitted to the Partnership and to the Cyprus government, and prior to completion of the technical-economic feasibility tests, including the FEED, the estimated cost of the approved Development Plan - which includes construction of the Floating Production Facility above the reservoir area,, including the installation cost of the pipelines to the target markets, is between approx. USD 3.6 billion (100% - the Partnership's share is approx. USD 1.1 billion). It is emphasized that the formulation of the development plan and the FID for development of the Aphrodite Reservoir are subject, among other things, to revision of the approved development plan, to execute the FEED for commercial arrangements to develop the systems for export, signing of agreements for supply of natural gas, and compliance with the conditions precedent in the agreements, regulatory approvals, and financial arrangements. If the above conditions precedent are fulfilled, the supply of natural gas from the Aphrodite Reservoir is likely to begin in 2028, at the earliest.
In accordance with the PSC, on September 15, 2022, the partners approved a budget for the A-3 drilling of approx. USD 130 million (100%, the share of the Partnership is approx. USD 39 million). The A-3 drilling is an appraisal drilling to verify the assessments of the operator and Partnership regarding the quality and scope of the reservoir, which is intended to serve as a producing well in future. The A-3 drilling started in May 2023 and was completed in July 2023, in accordance with the schedules and within the budget.

As at the approval date of the financial statements, the Block 12 partners approved a temporary budget of approx. USD 29 million for 2024 (100%); the Partnership's share amounts to approx. USD 8.7 million), which will be adjusted later in accordance with the agreements reached by the Aphrodite Reservoir partners with the government of Cyprus.

5) In 2013, the Company provided a performance guarantee in favor of the Republic of Cyprus. In consideration for the guarantee, the Partnership pays Delek Group an annual guarantee fee of approx. USD 368 thousand for up to 25 years from the date the guarantee was provided.

NOTE 11 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

D. Block 12 in Cyprus (cont.)

6) It should be noted that most of the Aphrodite Reservoir is located in the exclusive economic zone of Cyprus, and a small percentage of its area is in the license area of the 370/Ishai field (hereinafter - the “Ishai License”) in the exclusive economic zone of Israel. It should also be noted that the Aphrodite Reservoir partners were contacted by the Ishai license partners and the Ministry of Energy of the State of Israel regarding the need to regulate the rights of these parties prior to adoption of a resolution on the development of the Aphrodite Reservoir. The position of the partners in the Aphrodite Reservoir is that the matter is within the governments’ authority and they will act in accordance with the mechanism for regulation of the parties’ rights as to be determined by the governments and in accordance with international law. In addition, further to discussions between the governments of Israel and Cyprus to regulate the parties’ rights in the Aphrodite Reservoir, on March 9, 2021, the governments signed a memorandum of understanding instructing the partners in the Aphrodite Reservoir and the holders of the rights in the Ishai license to conduct direct negotiations to regulate the issue of the migration of the Aphrodite Reservoir, which includes principles and timetables for the negotiations. Since the parties failed to reach agreements and the date set by the former Israeli Minister of Energy for signing of an agreement has gone by, the governments of Israel and Cyprus. On January 29, 2024, two calls took place between the Ministers of Energy of Israel and Cyprus, in which it was agreed to increase the efforts between the governments to resolve the matter as soon as possible.

E. Yam Tethys transaction

The Yam Tethys joint venture is in the area of the Ashkelon and Noa leases. Production in the Yam Tethys project began in March 2004 and was terminated in May 2019, following depletion of the reservoirs. As at the approval date of the financial statements, the project assets are mainly used for infrastructure services for the Tamar Reservoir, under the agreement of July 23, 2012 between the Partnership and the other Yam Tethys partners and Tamar partners (see Section 1 below).

1) Agreement for the rights of use of the Yam Tethys project facilities:

The Partnership and the other Yam Tethys partners signed an agreement with the Tamar partners on July 23, 2012, according to which Yam Tethys partners granted the Tamar partners rights of use in the facilities of the Yam Tethys project for a total payments of USD 380 million (100%) (hereinafter - the "Usage Agreement").
The Usage Agreement will expire at the earlier of: (a) expiry or termination of the Tamar Lease, and if the Dalit field is developed to use the Yam Tethys facilities, then expiry or termination of the Dalit Lease; (b) notification by the Tamar partners of permanent termination of commercial production of gas from the Tamar Project; (c) decommissioning of the Tamar Project.
The agreement sets out provisions for the usage period and for the end of the usage period, including accounting for upgrades to the facilities. As part of the sale of the balance of the Partnership rights in the Tamar and Dalit Leases, the Partnership endorsed its rights in the Usage Agreement to the buyer as a partnership in the Tamar Project.
It should be noted that the Yam Tethys partners will continue to own the Yam Tethys facilities and be responsible for covering the cost of the decommissioning the facilities and the Usage Agreement defines an accounting mechanism for the value of these facilities at the end of production from the Tamar Project.

NOTE 11 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

E. Yam Tethys transaction (cont.)

2) Decommissioning of wells and subsea equipment:

As at the approval date of the financial statements, all the project wells have been plugged and abandoned in accordance with the instructions of the Commissioner.
Upon receipt of all permits required, in 2021 the operator began decommissioning all facilities of the project, except the platform.
There is also a discussion about possible future uses and/or decommissioning of the Yam Tethys platform, considering the connection between the facilities of the Yam Tethys project and production from the Tamar project. The decommissioning budget of the Yam Tethys project, except the platform and onshore receiving facility, as approved by the Yam Tethys project partners, as of the approval date of the financial statements, amounts to approx. USD 277 million (100% - the Group’s share is approx. USD 146 million).

As at the date of the financial statements, Yam Tethys partners incurred a total amount of approx. USD 273 million for said abandonment expenses (100%, the share of the Group amounts approx. USD 144 million).

F. Boujdour license in Morocco

On December 6, 2022, the Partnership and Adarco Energy Limited (hereinafter - “Adarco") signed agreements for oil and natural gas exploration and production in the Boujdour Atlantique exploration license in the Atlantic Ocean off the Moroccan coast (hereinafter in this section - the “Oil Asset" or the "License"), with the National Office of Hydrocarbons and Mines of Morocco (Office National des Hydrocarbures et des Mines, "ONHYM") (hereinafter in this section - the “Agreement"). Under the agreements, among other things, the Partnership and Adarco are granted (each) 37.5% of the rights in the license, and the remaining 25% of the rights in the license are granted to ONHYM, in accordance with standard regulation in Morocco. On February 29, 2023, Delek Energy, a wholly-owned subsidiary of the Partnership incorporated in the UK (hereinafter -“NewMed Morocco"), signed agreements instead of the Partnership and replaced the Partnership.
In addition, the agreements confer on the Partnership, Adarco, and ONHYM exploration rights for hydrocarbons in the license area for 8 years, subject to compliance with the work plan, which may be extended in the event of a discovery.
As part of the Partnership's operations in Morocco, the Partnership provided ONHYM with a guarantee in the amount of approx. USD 1.75 million.
It is also noted that the license is located off the coast of Western Sahara, an area whose sovereignty is disputed. In December 2020, a normalization agreement was signed between Israel and Morocco in which, among other things, Israel and the United States recognized Morocco's sovereignty in Western Sahara.

NOTE 11 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

G. Estimates of natural gas reserves, condensate and contingent resources (100% of the projects)

Project (100%)	Oil and gas assets	Resources Report as at	Gas and condensate reserves				Contingent resources			
			Proved + probable reserves		**Proved Developed Producing Reserves**		High estimate		Low estimate	
			Natural gas (BCM)	Condensate (MMBBL)	Natural gas (BCM)	Condensate (MMBBL)	Natural gas (BCM)	Condensate (MMBBL)	Natural gas (BCM)	Conden-sate (MMBBL)
Israel										
Ratio Yam	Leviathan	December 31, 2023	429.6	33.4	381.5	29.6	298.7	23.2	58.1	4.5
Cyprus										
Aphrodite	Aphrodite	August 31, 2023 (*)	-	-	-	-	126	10.6	74	5.1

(*) As at the balance sheet date there was no change.

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

NOTE 11 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

H. Natural Gas Supply Agreements from the Leviathan Project

1. Leviathan Project:

a) Agreements for the sale of natural gas from the Leviathan Project:

Below is a summary of the natural gas supply agreements from the Leviathan Project signed by the Partnership together the Leviathan partners, that are valid as at the approval date of the financial statements:[1]

Customer	Date of start of supply	Term of the agreement[2]	Total contractual maximum supply quantity (100%) (BCM)	Quantity supplied up to December 31, 2023 (100%) (BCM)	Main linkage basis for the price of gas
Independent power producers	2020, or when commercial operation of the Buyer's power station starts (whichever is later).	These are long-term agreements for a period of 9 to 25 years. In most of the other agreements, each party is granted an option to extend the agreement if the total quantity is not purchased.	Approx. 19.1	Approx. 2.3	In most of the agreements, the linkage formula gas price is based on the electricity production rate, and includes a minimum price. In one of the agreements there is an unlinked fixed price.
Industrial customers	2020	The agreements are for a period of 2.5 to 15 years. In most agreements, the parties are not given an option to extend the term of the agreement.	Approx. 4.2	Approx. 0.9	In most of the agreements, the linkage formula is partially based on linkage to Brent prices and in part to the electricity production rate, and includes a minimum price. There is also a partial linkage to the refining margin index and to the general TAOZ index published by the Israeli Electricity Authority. In a number of agreements, there is a fixed price that is not linked.
Export agreement - (NEPCO - outlined in Paragraph B below)	2020	15 years. The agreement stipulates that if the buyer does not purchase the total contractual quantity, the supply period will be extended by another two years.	Approx. 45	Approx. 10	The linkage formula is based on linkage to Brent prices and includes a minimum price.
Export agreement - Blue Ocean (outlined in Section (c) below)	2020	15 years. The agreement stipulates that if the buyer does not purchase the total contractual quantity, the supply period will be extended by another two years.	Approx. 60	Approx. 16.4	The linkage formula is based on linkage to Brent prices and includes a minimum price. The agreement includes a mechanism for an update of the price at a rate of 10% (addition or reduction) after the fifth year and after the tenth year of the agreement upon the fulfillment of certain conditions set out in the agreement.
Total			**Approx. 128**	**Approx. 30**[3]	

[1] It should be noted that the information in the table does not include agreements for natural gas supply from the Leviathan project, which are on an interruptible basis.

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

[3] It should be noted that, the total quantity supplied from the Leviathan project up to December 31, 2023 (100%) (both under the agreements specified in the table and under spot agreements, and agreements that have ended) amounts to approx. 40 BCM.

NOTE 11 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

H. Natural Gas Supply Agreements from the Leviathan Project (cont.)

1. Leviathan Project (cont.)

a) Agreements for the sale of natural gas from the Leviathan Project: (cont.)

Additional information about agreements for sale of natural gas signed by the Leviathan partners:

1) In 2023 and up to the approval date of the financial statements, the Partnership signed several more agreements for the sale of natural gas from the Leviathan Project with various customers in the Israeli market on a spot basis.It should be noted that during the fourth quarter of 2023, with temporary suspension of production from the Tamar Reservoir due to the outbreak of the Iron Swords War, the Leviathan partners worked towards signing of agreements on a spot basis with all relevant customers in the Israeli market, to ensure it will be possible to supply those customers with natural gas, as necessary.
2) In most of the natural gas sales agreements of independent power producers and industrial customers (hereinafter in this section - the "Agreements"), the customers have a take or pay commitment for a minimum annual quantity of natural gas according to a mechanism in the supply agreement (hereinafter - the "Minimum Quantity").It should be noted that the agreements set out provisions and mechanisms allowing each of the buyers, after paying for natural gas not consumed under the agreements, due to application of the Minimum Quantity, as set out above, to receive gas without additional payment up to the amount paid for the gas not consumed, in years subsequent to the year in which payment was made. The agreements also set out a mechanism for the accumulation of excess volume (beyond take or pay) consumed by the buyers in the course of any year, and its use to reduce the buyers' undertaking to purchase the Minimum Quantity, as set out above, in several subsequent years.
3) The agreements include further provisions, including the following: the right to end the agreement in the event of breach of a material undertaking, the right of the Leviathan partners to supply gas to the buyers from other natural gas sources, compensation mechanisms in the event of failure to supply the quantities set out in the agreement, limitations for the parties' liabilities in the agreement, and regarding the relations between the Sellers and themselves in everything connected to gas supply for the buyers.
4) In accordance with the Gas Framework, in agreements signed up to June 13, 2017, and for a period exceeding 8 years, there is an option to reduce the Minimum Quantity to an amount equal to 50% of the average annual quantity actually consumed in the three years prior to the notice of exercising the option, subject to adjustments as set out in the supply agreement. Upon the reduction of the Minimum Quantity, the other quantities in the supply agreement will be reduced accordingly. Each of the buyers may exercise the Option by notice to the Sellers, over a period of 3 years, starting from 5 years after gas starts to flow from the Leviathan Project to the Buyer. If the Buyer gives notice of exercise of the Option, the quantity will be reduced 12 months after delivery of the notice.

NOTE 11 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

H. Natural Gas Supply Agreements from the Leviathan Project (cont.)

1. Leviathan Project (cont.)

b) Agreement for the export of natural gas from the Leviathan Project to the National Electric Power Company of Jordan:

In September 2016, an agreement for the supply of natural gas was signed between NBL Jordan Marketing Limited (hereinafter - the "Marketing Company") and NEPCO (hereinafter - the "NEPCO Agreement"). The Marketing Company is a wholly owned subsidiary of the partners in the Leviathan Project, which hold it in proportion to their interests in the Leviathan Project.
Under the NEPCO agreement, the Marketing Company undertook to supply natural gas to NEPCO for approx. 15 years as from the date of commencement of commercial supply or when total supply reaches approx. 45 BCM. Gas supply began on January 1, 2020.
Under the NEPCO Agreement, the gas supply point is at the connection between the Israeli transmission system to the Israeli transmission system at the Israel-Jordan border. In December 2019, INGL completed the construction of the Israeli transmission system up to the Israel-Jordan border at a cost of approx. USD 109 million (100%, the share of the Partnership is approx. USD 49 million).

NEPCO has a take or pay commitment for a minimum annual volume of gas according to a mechanism set out in the NEPCO Agreement.
On November 2016, the Leviathan Partners and the Marketing Company signed a back-to-back GSPA (hereinafter - the “Back-to-Back GSPA”), whereby the amounts to be received, the liabilities, the risks and the costs relating to the Export Agreement will be endorsed to the Leviathan Partners under the same terms, back-to-back, as if the Leviathan Partners were a party to the Export Agreement instead of the Marketing Company.

On July 3, 2023, the parties agreed on an increase in the natural gas quantities to be supplied to NEPCO on a firm basis, temporarily and for several months in 2023-2024, and that the minimum annual quantity that NEPCO undertook to take or pay in 2023-2024 will increase accordingly. The aforesaid does not change the total supply volume under the Export Agreement to Jordan (approx. 45 BCM), as specified above.

c) Agreement for the export of natural gas from the Leviathan Project to Blue Ocean in Egypt:

In February 2018, the Partnership and Chevron signed an agreement with Blue Ocean (hereinafter - the "Buyer” or “Blue Ocean”) for the export of natural gas from the Leviathan Project to Egypt.
On September 26, 2019, the Leviathan partners and Blue Ocean signed an agreement to amend the original Leviathan-Blue Ocean agreement (hereinafter in this section -the "Leviathan Agreement") and the Leviathan partners and the Tamar partners signed an agreement for the allocation of available capacity in the transmission system from Israel to Egypt. On January 15, 2020, natural gas started to flow in accordance with the Leviathan Agreement.

NOTE 11 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

H. Natural Gas Supply Agreements from the Leviathan Project (cont.)

1. Leviathan Project: (cont.)

c) Agreement for the export of natural gas from the Leviathan Project to Blue Ocean in Egypt: (cont.)

Following is a summary of the details and terms of the Leviathan export agreement:

1) The total contractual gas quantity that the Leviathan Partners undertook to supply to the Buyer on a firm basis is approx. 60 BCM (hereinafter the “Total Contractual Quantity”).
2) The gas supply started on January 15, 2020 and will continue until December 31, 2034 or until full supply of the Total Contractual Quantity in the Leviathan Agreement, whichever is earlier (hereinafter - the “Leviathan Agreement Period”). In the event that the buyer does not purchase the total contractual quantity, each party may extend the supply period by another two years.
3) The Leviathan Partners undertook to supply annual gas quantities to the Buyer, as follows: (i) in the period beginning on January 15, 2020 and ended on June 30, 2020 - approx. 2.1 BCM per year; (ii) in the period beginning on July 1, 2020 and ending on June 30, 2022 - approx. 3.6 BCM per year; and (iii) in the period beginning on July 1, 2022 and ending upon termination of the Leviathan Agreement - approx. 4.7 BCM per year. Furthermore, the Leviathan agreement includes provisions regarding the option of transmitting additional gas quantities, beyond the above daily quantities, on a spot basis. It should be noted that supply will be increased by upgrading the systems at the EMG terminal in Ashkelon, including installation of an additional compressor, and by increasing transmission capacity in the INGL system and/or the flow of natural gas from Israel to Egypt through Jordan. See Note 11K below.
4) The Buyer undertook to take-or-pay commitment for quarterly and annual quantities, in accordance with the mechanisms set out in the Amendment to the Leviathan Agreement, which, among other things, allow the Buyer to reduce the take or pay quantity in a year in which the average daily Brent price (as defined in the agreement) falls below USD 50 per barrel, to 50% of the annual contractual quantity. It should be noted that, insofar as the contractual quantity is reduced in event of a dispute regarding an adjustment to the gas price, as set out in Section 5 below, the right of Blue Ocean to reduce the take-or-pay quantity as aforesaid will be null and void (see Note 21A2(1) regarding a claim and motion to certify the claim as a class action filed against the Group due to the said condition). Furthermore, regarding the Buyer's take or pay undertaking, the agreement sets out, among other things, provisions and a mechanism that allows the Buyer, after consuming the minimal quantity to be charged in respect of a certain year, to receive an additional supply of gas for free, in the same year, of up to the outstanding quantity of gas not consumed in previous years for which a consideration was paid to the sellers as part of the take or pay undertaking, as well as provisions and a mechanism that allows the Buyer to accumulate quantities purchased in any year beyond the minimum quantity, and use them to reduce the Buyers’ liability (carry forward mechanism).

NOTE 11 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

H. Natural Gas Supply Agreements from the Leviathan Project (cont.)

1. Leviathan Project (cont.)

c) Agreement for the export of natural gas from the Leviathan Project to Blue Ocean in Egypt: (cont.)

5) The price of gas supplied to the Buyer will be calculated by a formula based on the price of a barrel of Brent oil and a minimum price. Export to Egypt includes a mechanism for an update of the price at a rate of up to 10% (addition or reduction) after the fifth year and after the tenth year of the agreement, upon the fulfillment of certain conditions set out in the agreement. If the parties fail to reach an agreement on the price update as described above, the Buyer will be entitled to reduce the contractual quantity by up to 50% on the First Adjustment Date and 30% on the Second Adjustment Date. It should be noted that the Agreement includes quantity-based incentives and it is subject to the price of a barrel of oil.
6) The Leviathan agreement includes standard provisions for termination of the Agreement and provisions in the event of termination of the export agreement between the Tamar partners and Blue Ocean due to its breach, and the refusal of the Leviathan partners to supply the quantities set out in the Tamar Agreement, and includes compensation mechanisms in such case.
7) To allow the export quantities to Egypt to be increased and due to completion of the Ashdod-Ashkelon Combined Section project, as specified in Section 11J(2) below, the Leviathan partners and Blue Ocean signed an amendment to the export agreement to Egypt, in which it was agreed, among other things, to define an additional gas delivery point in Aqaba, Jordan under the export agreement to Egypt, which sets out a certain price discount as compensation to Blue Ocean for the additional transmission costs involved in transporting the gas from the additional delivery point, which are covered by Blue Ocean. The flow of gas to Egypt, to the delivery point in Aqaba, started in March 2022, and is carried out through the Jordan-North export pipeline, as specified in Section 11K(2)(h) below.

Concurrently with the signing the Leviathan Agreement, on September 26, 2019 (as amended on August 21, 2023), the Partnership and Chevron signed an agreement with the other Leviathan partners and with the Tamar partners for the allocation of capacity (hereinafter in this section the “Capacity Allocation Agreement”) in the transmission system from Israel to Egypt.

The division of capacity in the transmission system from Israel to Egypt (the EMG Pipeline and the transmission pipeline in Israel) will be on a daily basis, according to the following order of priority:

1. First tier - up to 350 MMCF per day will be allocated to the Leviathan partners.
2. Second tier - the capacity exceeding the first layer, up to 150 MMCF per day up to June 30, 2022 (hereinafter - the “Capacity Increase Date”), and 200 MMCF per day after the Capacity Increase Date, will be allocated to the Tamar Partners.
3. Third tier - any additional capacity above the second layer will be allocated to the Leviathan partners.

NOTE 11 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

H. Natural Gas Supply Agreements from the Leviathan Project (cont.)

1. The Leviathan Project: (cont.)

c) Agreement for the export of natural gas from the Leviathan Project to Blue Ocean in Egypt: (cont.)

Under the Capacity Allocation Agreement, at the completion date of the EMG transaction, the Leviathan partners and the Tamar partners paid the Partnership and Chevron a total of USD 250 million (80% by the Leviathan partners and 20% by the Tamar partners), as a participation fee for the undertaking to allow the flow of natural gas from the Leviathan and Tamar Reservoirs and guaranteed capacity in the EMG pipeline. Under the agreement, the amount of the payments will be updated in accordance with the formula and dates set out in the agreement, based on the actual use of the EMG pipeline. Accordingly, for the period between January 1, 2022 and June 30, 2022, distribution of payments between the Leviathan partners and Tamar partners was approx. 83% and approx. 17%, respectively. The Capacity Allocation Agreement sets out additional arrangements for the additional costs and investments required to prepare the EMG pipeline for use and to use the maximum capacity in the pipeline, which will be divided between the Leviathan partners and the Tamar partners. In this context, it should be noted that on June 30, 2022, the parties adjusted the distribution of payments between the Leviathan partners and the Tamar partners, and accordingly there was accounting in immaterial amounts for the purpose of adjusting the carrying rates of the partners to the costs of the actual use of EMG pipeline capacity in the aforementioned period.

The Capacity Allocation Agreement stipulates that as from June 30, 2020, and until the Capacity Increase Date, if the Tamar Partners are unable to supply the quantities which they undertook to supply to Blue Ocean, the Leviathan partners will supply the required quantities to the Tamar Partners.
The term of the Capacity Allocation Agreement is until the termination of the Export Agreement to Egypt, unless it had been terminated earlier in one of the following cases: a breach of a payment undertaking that was not remedied by the party in breach; in a case where the Competition Authority does not approve extension of the CLOA according to the decision of the Competition Commissioner. Furthermore, each party will have the right to terminate its part in the Capacity Allocation Agreement if its export agreement is canceled.

d) Agreement for supply of condensate to Bazan:

In December 2019, an agreement was signed (hereinafter - the “Bazan Agreement”) according to which condensate produced from the Leviathan Reservoir will flow to the EAPC pipeline leading to the tank farm of Petroleum & Energy Infrastructures Ltd. (hereinafter - "PEI”) and from there to Bazan’s facilities, in compliance with regulatory directives.

NOTE 11 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

H. Natural Gas Supply Agreements from the Leviathan Project (cont.)

1. The Leviathan Project: (cont.)

d) Agreement for supply of condensate to Bazan: (cont.)

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

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

Under the Bazan Agreement, the delivery of the condensate to the Bazan will be for no consideration, and the Leviathan partners will bear all expenses incurred for the flow of condensate.

In correspondence between the Leviathan partners and Bazan in the first quarter of 2022, the Leviathan partners claimed that the absence of payment for the condensate supplied to Bazan constitutes abuse of Bazan's power as a monopoly in the purchase of condensate, in violation of the law. In this application, the Leviathan's partners requested negotiations with Bazan to amend this violation immediately and retroactively. Bazan replied by letter rejecting the Leviathan partners' claims. However, the Leviathan partners reiterated their position, according to which Bazan's failure to pay for the condensate supplied to it constitutes a violation of the law and causes material damage to the Leviathan partners. It should be noted that following the agreement signed with Oil Refinery Ashdod (as set out in Paragraph 3 below), Bazan sent a letter to the Leviathan partners stating that the agreement with Oil Refinery Ashdod constitutes a breach of the Bazan Agreement, an expected breach of the agreement, and an act of bad faith. Later, on February 4, 2024, the Leviathan partners notified Bazan that the flow of condensate to Ashdod Refinery is expected to start in March 2024, and that from such date, the quantities transferred to Bazan will be reduced significantly. In response to this notice, Bazan sent a letter to the Leviathan partners according to which their notice constitutes a breach of the agreement with Bazan. In this letter, Bazan also demanded that the Leviathan partners clarify the quantities of condensate that they intend to supply to Bazan. According to the Partnership's position, Bazan's allegations and demands are baseless.

NOTE 11 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

H. Natural Gas Supply Agreements from the Leviathan Project (cont.)

1. The Leviathan Project: (cont.)

e) Agreement for transmission of condensate from the Leviathan Reservoir: (cont.)

On September 1, 2022, Chevron (in the name of the Leviathan Partners) and Energy Infrastructures Ltd. (hereinafter - “Energy Infrastructures") signed an agreement for the transmission of condensate from the Leviathan project through the existing 6-inch pipeline of Energy Infrastructures and its related systems (hereinafter - the "Agreement" and the “Pipeline", respectively). The Agreement will take effect on the date of fulfillment of the conditions precedent set out therein (hereinafter - the "Effective Date"), and the transmission of condensate through the Pipeline will commence on the date additional conditions precedent are fulfilled (hereinafter - the “Flow Commencement Date”). The Agreement will be valid for 20 years from the Flow Commencement Date, subject to provisions granting parties the option of canceling it before the end of the term.

Subsequent to the balance sheet date, on February 1, 2024, the Partnership was informed that all conditions precedent for validity of the agreement have been complied with, and on March 7, 2024, the flow of condensate to Paz Oil Refinery Ashdod started.

It is also noted that in November 2022, the Leviathan partners approved a budget of approx. USD 27 million (100% - the Partnership’s share totals approx. NIS 12.2 million) for implementation of the said agreement.

f) Agreement for the sale of condensate from the Leviathan Reservoir with Ashdod Refinery Ltd.

On January 18, 2023, the Leviathan partners, including the Partnership (hereinafter - the "Sellers") entered into an agreement with Oil Refinery Ashdod for the sale of condensate to Oil Refinery Ashdod, the main provisions of which are as follows:

A. The Sellers undertook to supply Oil Refinery Ashdod with condensate produced from the Leviathan Reservoir, which will be transported through the pipeline of Energy Infrastructures.
B. The Agreement stipulated, among other things, provisions for limitations on the maximum quantities (daily and monthly) of condensate to be supplied to Oil Refinery Ashdod, fines in the event of a breach of the provisions of the Agreement, and other standard provisions in agreements of this type.
C. Condensate will begin to flow to Oil Refinery Ashdod on the date transmission commences in the pipeline of Energy Infrastructures (hereinafter - the “Flow Commencement Date”), and will continue for 4 years. It should be noted that on March 7, the flow of condensate to Oil Refinery Ashdod started.
D. The price to be paid to the Sellers was based on the price of a Brent oil barrel less a margin, gradually, as set out in the Agreement.

NOTE 11 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

H. Natural Gas Supply Agreements from the Leviathan Project (cont.)

1. The Leviathan Project: (cont.)

g) Estimates regarding natural gas and condensate quantities and prices, and supply dates:

The estimates of the quantity of natural gas and condensate purchased by the buyers in the Leviathan Project, and commencement of supply under the supply agreement is forward-looking information, and there can be no certainty that it will materialize, in whole or in part, and it might materialize in a substantially different manner, due to various factors, including non-fulfillment of the conditions precedent in each of the supply agreements (to the extent they have not yet been fulfilled), failure to obtain regulatory approvals, changes in the volume, rate and timing of natural gas consumption by each of the buyers, the gas and condensate prices based on the formulas in the supply agreements, the USD-NIS exchange rate (if relevant to the supply agreement), Brent prices (if relevant to the supply agreement), the CPI, the TAOZ published by the Israeli Electricity Authority and the refining margin index (if relevant to the supply agreement), construction and operation of the power station and/or other facilities of the buyers (if relevant to the supply agreement), exercise of the options granted to each party in the supply agreements, and their exercise date.

I. Royalties to the State, the Group, and others

1. Following completion of the merger of the Partnership and Avner Oil Exploration Limited Partnership (hereinafter “Avner”) in May 2017, all the obligations for royalties on all the Partnership's gas and oil assets (present and future) apply, however the rate of royalties decreased by 50% compared with the rate of royalties prior to the merger (the Partnership and Avner Partnership held equal parts of the oil assets, other than the Ashkelon and Noa leases, which the Partnership held at a rate of 25.5% and the Avner held at a rate of 23%, for which the royalties decreased by 47.42% compared with the royalties paid by the Partnership to the Company and Delek Energy, as defined below, and by 52.58% compared with the royalties paid by Avner Partnership prior to the merger, as set out below).

2. Under the agreement for the transfer rights signed in 1993, the Partnership undertook to pay Delek Energy and the Company (hereinafter jointly - the “Royalty Holders”), royalties in the rates set out below from the share of the Partnership in oil and/or gas and/or any other valuable material to be produced and used from the oil assets in which the Partnership has or will have an interest (before the deduction of any royalties, but after amortization of the oil, which will be used for production itself).
Below are the rates of the royalties: up to the investment recovery date of the Partnership, royalties will be paid at a rate of 2.5% of the onshore oil assets and 1.5% of the offshore oil assets, and subsequent to the investment recovery date - 7.5% of the onshore oil assets and 6.5% of the offshore oil assets.
For information about the dispute between the Partnership and the Royalty Holders, regarding the investment recovery date in the Tamar Project, see Notes 21A2(3).

NOTE 11 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

I. Royalties to the State, the Group, and others (cont.)

3. Royalty to the state:

The Petroleum Law, 1952 (hereinafter - the “Petroleum Law"), and the Petroleum Regulations, 1953, stipulate that a lease holder, within the meaning of this term in the Petroleum Law, is required to pay a royalty to the state at a rate of one-eighth of the quantity of oil produced and utilized from the area of the lease, at the market value at the wellhead (excluding the quantity of oil used by the lease holder for operating the area of the lease, but in any event, the royalty will not fall below the minimum royalty set out in the Law.
In accordance with the Petroleum Law, the state is entitled to royalties from the quantity of gas produced. The Commissioner notified the operator of the joint ventures that the state decided not to take the royalties to which it is entitled from gas discoveries, in kind, but to take the market value of the royalties at the wellhead, in USD.
In June 2020, the Ministry of Energy released directives on the manner of calculation for the value of the royalty at the wellhead in relation to offshore oil rights, under Section 32 of the Petroleum Law and in July 2022 - specific guidance regarding the calculation of the royalty value at the wellhead of the Leviathan Lease. On September 1, 2022, the response of the partners of the Leviathan Project to the specific directives in the Leviathan lease, was filed. As at the approval date of the financial statements, the response of the Ministry of Energy has not been received.

4. According to a demand letter received from the Ministry of Energy in October 2023, the Leviathan Partners are required make advance payments to the State on account of royalties for revenues from the Leviathan project in 2023 at a rate of 11.06%, instead of 11.26% as paid by the Leviathan Partners as from the gas supply commencement date from the Leviathan Reservoir according to the demand letter sent by the Ministry of Energy in January 2020.. According to a letter from the Ministry of Energy dated January 2024, the rate of 11.06% will continue in 2024 as well. The royalty rate paid to the state is high, considering the royalty rate at the wellhead under the royalty reports filed by Chevron to the Ministry of Energy for 2020 and 2021, according to which the royalty rate at the wellhead in the Leviathan project is approx. 9.58% and 10.17%, respectively. Accordingly, the rate of royalties used by the Partnership in its financial statements for 2023 is approx. 10.7% (2022: 10.9%, 2021: 10.7%).
It should be noted that the Partnership believes that calculation of the actual royalty rate to the state should reflect the complexity and risks involved in the project, and the scope of investments in the project.
It should be clarified that there are significant discrepancies between the cumulative royalties actually paid to the Ministry of Energy since production started from the Leviathan project and the amounts recognized as royalty expenses in the statement of comprehensive income.

5. The difference between the prepayments for royalties paid to the State and the effective royalty rates used by the Partnership in its financial statements in the Tamar (until the project’s sale date) and Leviathan Projects, amounted to approx. USD 34.2 million (2022 - approx. USD 30.5 million).

6. The calculation method for royalties to the state is also used to calculate the market value at the wellhead of the overriding royalty paid by the Partnership to the Group and third parties.

NOTE 11 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

I. Royalties to the State, the Group, and others (cont.)

7. In June 2020, the Director of Natural Resources at the Ministry of Energy published general guidelines for calculation of the value of the royalty at the wellhead for offshore oil rights, and in September 2020, the Director published specific directives for calculation of the value of the royalty at the wellhead for the Tamar Project (hereinafter in this section - the ""Specific Directives") setting out the rate of the deductible expenses when calculating the royalty value at the wellhead for the Tamar Project. In 2022, the Ministry of Energy sent Chevron draft audit reports for royalties for 2013-2018, in accordance with the specific directives. The operator forwarded its reference to these draft reports to the Ministry of Energy. It should be noted that discussions are being held between the state and the Tamar partners though the operator, regarding amounts overpaid by the Tamar partners in 2013-2018. Based on the understandings being formulated with the Ministry of Energy following discussions held recently in connection with the draft audit reports, the Partnership revised non-material gaps in the cumulative amounts recognized in the statement of comprehensive income under royalty payments to the state. In the Partnership's assessment, based on the above understandings being formulated, the Partnership will be entitled to receive from the state (by offset from future royalty payments in 2024) an amount of approx. USD 17.2 million, for 2013-2018. The Partnership will also be entitled to receive a total amount of approx. USD 8.3 million from the royalty holders for those years (the Group's share - approx. USD 2.6 million).

8. For information about the claim to return royalties paid to the state by the Partnership and Chevron, for their revenue from the supply of natural gas, from their part in the Tamar Project, to their customers under the Yam Tethys agreements, see Note 21A1(2) below.

J. Regulation in Israel

1. Guidelines for providing collateral for oil rights

In September 2014, the Commissioner issued guidelines for collateral for oil rights in accordance with Section 57 of the Petroleum Law.
As at the approval date of the financial statements, the Partnership deposited autonomous bank guarantees in the amount of approx. USD 54.5 million with the Ministry of Energy for its rights in the oil and gas assets against a bank credit facility.

2. Export projects through the national pipeline

On June 23, 2020 the Director General of the Natural Gas Authority announced that he determined that the cost of the Ashdod-Ashkelon Combined Section designed for the purpose of transmitting natural gas from the Leviathan and Tamar Reservoirs to the EMG receiving station in Ashkelon for the transmission of the gas to Egypt under the export agreements is estimated (as of the signing date of the Transmission Agreement) at a total of NIS 738 million and will be revised based on an update and accounting mechanism between the parties, as set out in the transmission agreement with INGL. On May 2, 2022, INGL revised the budget of the Project to approx. NIS 796 million.

NOTE 11 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

J. Regulation in Israel (cont.)

2. Export projects through the national pipeline (cont.)

According to the Director General of the Natural Gas Authority's announcement, 43.5% of the cost of the section, as shall be determined according to the foregoing, will be financed by the transmission licensee (INGL) and 56.5% will be financed by the exporter, based on milestones to be set in the transmission agreement. In addition, the exporter will pay the transmission licensee NIS 27 million (the Partnership's share - approx. NIS 8.5 million) for its share of the costs of bringing forward doubling the Dor-Hagit and Sorek-Nesher sections (which is estimated at approx. NIS 48 million) and the exporter will provide the transmission licensee with an independent financial guarantee on behalf of an Israeli bank, for 110% of the aggregate amount of the above cost (the transmission licensee's share of the construction cost of the Combined Section plus ten percent), with the addition of NIS 21 million (the share of the transmission license holder, from extending the Dor-Hagit and Sorek-Nesher sections), which will decrease in accordance with the provisions of the addendum to the Decision.

The Director General's notice also stipulates that as long as the exporter exports to Egypt, the natural gas quantity set in the transmission agreement will be transmitted through the transmission licensee's transmission system and not through a section outside the Israeli transmission system, and that if the exporter discontinues export to Egypt, it will be required to pay the transmission licensee the difference, if any, between 110% of the total cumulative cost plus NIS 48 million (the cost for bringing forward doubling of the Dor-Hagit and Sorek-Nesher sections) and the cumulative transmission and capacity fees paid by the importer to the transmission licensee from completion of the Combined Section plus the payments made by the exporter to the licensee according to the foregoing.
For information about the agreement between Chevron and INGL for transmission on a firm basis for the flow of natural gas from the Tamar Reservoir and the Leviathan Reservoir to the EMG connection point in Ashkelon, for its transmission to Egypt, see Section K2 below.

3. Draft policy paper on decommissioning of offshore exploration and production infrastructure

On May 2, 2023, the Ministry of Energy published a draft policy paper for public comment, setting out general principles regarding decommissioning offshore oil and natural gas exploration and production infrastructure, without derogating from the provisions of the law applicable in this regard and the provisions of the lease deeds and operation permits. The Draft Policy Paper outlines, among other things, rules, covenants, and timetables for the decommissioning of drilling and production facilities and for the decommissioning of subsea infrastructure and pipelines that are no longer useful, among other things, according to the location of deep sea offshore facilities, on or below the seabed. According to the initial assessment of the Partnership, approval of the strict requirements in the Draft Policy Paper is expected to increase the decommissioning costs of the Partnership's assets.

NOTE 11 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

K. Entering into a transmission agreement for the purpose of exporting gas

As at the approval date of the financial statements, the export pipeline infrastructure to the Partnership's customers in Egypt and Jordan includes the following main systems:

1. On May 28, 2019, an agreement was signed between Chevron and INGL for the supply of interruptible transmission services (hereinafter - the “INGL Agreement”) for the delivery of natural gas from the Leviathan and Tamar Reservoirs to the EMG terminal in Ashkelon for export to Egypt (hereinafter in this section - the “2019 Agreement”). Payment under the 2019 Agreement will be based on the quantity of gas actually transmitted in the transmission system, subject to Chevron’s undertaking to pay for minimum quantities.
In July 2020, upon operation of the compressor at the entry to the EMG system in Ashkelon, the flow capacity in the EMG pipeline increased, within the limits of the infrastructure of the existing INGL transmission system, to approx. 500 MMCF/d (approx. 5 BCM per year). According to the Agreement for Export to Egypt, as described in Note 11H(1)(c) above, another compressor was installed in Ashkelon, which will enable the flow capacity in the EMG system to be increased to approx. 600 MMCF/D (approx. 6 BCM per year). Upon completion of the Ashdod-Ashkelon Combined Section, flow capacity from the EMG system can be increased to approx. 800 MMCF/d (approx. 8 BCM per year) and under certain conditions in the Israeli and Egyptian transmission systems, even more.

2. On January 18, 2021, Chevron entered into an agreement with INGL to provide transmission services on a firm basis for the transmission of natural gas from the Leviathan and Tamar Reservoirs to the EMG connection point in Ashkelon and for transmission to Egypt, which came into effect on February 14, 2021 (hereinafter - the “Transmission Agreement", or in this section - the “Agreement”); following is a summary of the agreement, as amended from time to time:

   a) Under the Transmission Agreement, INGL undertook to provide transmission services for the natural gas to be supplied from the Tamar and Leviathan Reservoirs, including maintaining a base capacity in the transmission system in the annual scope of approx. 5.5 BCM (hereinafter - the “Base Capacity”). For the transmission services with respect to the Base Capacity, Chevron will pay a capacity fee and will pay for the throughput gas quantity, according to the transmission tariffs that are customary in Israel, as updated from time to time. INGL also undertook to provide interruptible transmission services for additional gas quantities over and above the Base Capacity, subject to the capacity that will be available in the transmission system. For the transmission of the additional quantities as aforesaid, Chevron will pay a transmission tariff for interruptible transmission services for the throughput quantities.

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

   c) The Transmission Agreement will expire at the earlier of: (1) the date on which the total throughput quantity will reach 44 BCM; (2) 8 years after the Gas Flow Commencement Date; or (3) upon the expiry of INGL’s transmission license.

   d) In accordance with the principles set out in the Council Resolution, Chevron undertook to pay INGL the share of the partners in Leviathan and Tamar (56.5%) (the Leviathan partners and the Tamar partners will pay the costs at the rates of 69% and 31%, respectively) of the total cost of establishing the Combined Section estimated at NIS 738 million. On May 2, 2022, INGL revised the budget of the Combined Section to approx. NIS 796 million. In addition, to meet the transmission capacity in Ashkelon, INGL is required to bring forward the doubling of the Dor-Hagit and Sorek-Nesher segments at a cost of approx. NIS 48 million. Accordingly, Chevron undertook to pay an amount of NIS 27 million for the partners’ share (56.5%).

NOTE 11 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

K. Entering into a transmission agreement for the purpose of exporting gas (cont.)

2. (cont.)

e) In accordance with the Council Resolution, the Leviathan partners and Tamar partners provided a bank guarantee to secure INGL's share of the construction cost of the infrastructure, and to cover Chevron's undertaking to pay the capacity and transmission fee.As at the approval date of the financial statements, the guarantees in favor of INGL for the share of the Partnership in the Leviathan project amounts to approx. NIS 152 million and a deposit of approx. USD 11.5 million was pledged in favor of the guarantees.

f) It is also specified that the transmission period under the 2019 agreement will be extended up to the expiration date of the 2019 agreement, in accordance with its terms, or up to January 1, 2025 or the Flow Commencement Date under the transmission agreement, whichever is earlier.

g) The expected date for completion of the Combined Section construction project was postponed several times. In October 2023 Chevron notified the Partnership that it received notice from INGL that due to the outbreak of the Iron Swords War, the work in the project has been suspended and the expected Flow Commencement Date is four months from resumption of the work. In February 2024, Chevron informed the Partnership that it received notice from INGL that the foreign contractor performing the construction work of the Combined Section does not intend to continue waiting in an availability format in order to continue performing the work and that they intend to return in August-September 2024 to complete their obligations in the project. Due to the above, the Leviathan partners are assessing its significance and the options facing them. In February 2024, Chevron sent INGL a letter noting that, according to Chevron's position, Flow Commencement Date is April 30, 2024, at the latest, and therefore, among other things, INGL is required to provide transmission services under the transmission agreement starting from that date, and to refund the excess transmission fees collected from that date until now, to Chevron. On February 26, 2024, Chevron received a response letter from INGL rejecting all Chevron's allegations; according to the letter, the Flow Commencement Date will be possible only after completion of the Combined Section. According to the position of Chevron and the Leviathan partners, INGL's position contradicts the provisions of the transmission agreement. As at the approval date of the financial statements, discussions are underway between the parties to try to settle the above dispute.

h) The Jordan-North Export Pipeline, which connects the Israeli transmission system to the Jordanian transmission system near the Sheikh Hussein border crossing. Construction of this pipeline was completed in December 2019, among other things, by the construction of a natural gas pipeline by INGL from the Tel Kashish station to the border with Jordan, including construction of a station near the border to measure the gas exported to Jordan. The continuation pipeline on the Jordanian side was constructed by FAJR, the Jordanian transmission company (which is under Egyptian ownership), which connects the Israeli transmission system to the existing transmission system in Jordan and the Pan-Arab Pipeline, and connects to the Egyptian transmission system in the Aqaba area (above and hereinafter - the "Jordan-North Export Pipeline"). As at the approval date of the financial statements, the total maximum capacity of gas supply in the Jordan-North Export Pipeline is approx. 7 BCM per year, of which approx. 3.5 BCM is allocated to the NEPCO agreement.

NOTE 11 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

K. Entering into a transmission agreement for the purpose of exporting gas (cont.)

2. (cont.)

h) (cont.)

Due to the delay in completing the construction of the Ashdod-Ashkelon Combined Section project, the Leviathan partners signed a set of agreements designed to allow the flow of quantities of natural gas to Egypt under the export agreement to Egypt through Jordan, using the Jordan-North export pipeline. According to the said series of agreements, in March 2022, the gas flow through to Egypt through Jordan has started, allowing maximization of the sale of natural gas produced by the Leviathan Reservoir and transfer of surplus natural gas, which is not consumed in Israel and Jordan and/or delivered to Egypt through the EMG pipeline to the local market in Egypt, through the Jordanian transmission system, mainly until INGL's completion of the Combined Section. As at the financial statements approval date, and as the operator informed the Partnership, using the existing transmission infrastructure under current operating conditions, it is possible to transmit natural gas to Egypt, through Jordan, in an average daily quantity of up to approx. 350 MMCF (approx. 3.5 BCM per year). In this context, it should be noted that the Ministry of Energy granted the Leviathan partners approval for a delivery point for natural gas to Egypt in Aqaba, Jordan. It is further noted that transmission of the gas to Egypt through the Jordan-North export pipeline involves additional transmission costs compared to the transmission of the gas through the EMG pipeline.

To increase the transmission capacity to Egypt through the Jordan-North Export Pipeline, until the approval date of the financial statements the Leviathan partners approved preliminary budgets, prior to making a final investment decision (if any), in a total amount of approx. USD 37.5 million (100%, the Partnership's share is approx. USD 17 million)), for the construction of a compressor station and other related work on the Jordanian transmission system (hereinafter - the "FAJR+ Project"). According to the operator's assessment, the budget for the FAJR+ Project is estimated at approx. USD 335 million (in equal parts between the Leviathan and Tamar partners; the Partnership's share is approx. USD 76 million). The FAJR+ Project is expected to increase the total transmission capacity in the Jordan-North Export Pipeline to approx. 10.5 BCM per year in the first half of 2026. As at the approval date of the financial statements, the Leviathan partners are working towards making a final investment decision for the FAJR+ project, which is expected to be made by the end of the first half of 2024.

i) The South Jordan Export Pipeline, which connects the Israeli transmission system in the South Dead Sea region to Jordanian industrial works.

j) As at the financial statements approval date, the operator - representing the Leviathan and Tamar partners - is exploring the possibility of participating in the construction of an new offshore connection between the Israeli transmission system and the Egyptian transmission system in the Nitzana area (hereinafter - the "Nitzana Pipeline"), including a pipeline and construction of a compressor station in the Ramat Hovav area. The Nitzana Pipeline (if constructed) will be part of INGL's transmission system and is expected to increase the transmission capacity to Egypt by approx. 6 BCM per year.

NOTE 11 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

K. Entering into a transmission agreement for the purpose of exporting gas (cont.)

2. (cont.)

j) (cont.)

To promote the Nitzana Pipeline, until the approval date of the financial statements the Leviathan partners approved preliminary budgets, prior to undertaking to participate in financing the Nitzana Pipeline, based on the Natural Gas Council's resolution on the matter, and prior to making a final investment decision (if any), in a total amount of approx. USD 14.5 million (100%, the Partnership's share is approx. USD 6.6 million). According to the operator's assessment, the budget for the Nitzana Pipeline is estimated at approx. USD 360 million (in equal parts between the gas exporters who will participate in its financing; the Partnership's share is approx. USD 82 million). As at the approval date of the financial statements, the Partnership, together with the other Leviathan partners, is assessing all commercial terms and conditions of this project compared to alternatives of other projects to increase the export capacity to Egypt, and it will decide accordingly whether and how to participate in the Nitzana Project.

L. Oil and gas production in the North Sea through Ithaca

(1) On July 11, 2023, Ithaca entered into an agreement with Spirit Energy Resources Limited (hereinafter - the “Seller”) to increase Ithaca's rights in the Fotla discovery by way of acquiring the entire rights of the Seller - approx. 40% in the discovery, such that after completion of the transaction, Ithaca, which serves as the operator in Fotla, will hold the full rights in Fotla (100%), and to acquire rights in three exploration licenses (P.345 Area A and P.2536 P.213 Area C) in the North Sea on the UK Continental Shelf.
The consideration for the transaction is the payment of reimbursement of expenses in the amount of approx. GBP 400 thousand, to be paid subject to standard adjustments, on the completion date, and a contingent consideration in the amount of approx. GBP 11 million to be paid, to the extent it is paid, according to the progress of the development of the Fotla discovery, such that two-thirds of the contingent consideration will be paid when a FID is made in the discovery, to the extent it is made, and one-third of the contingent consideration will be paid after the production in the discovery begins. On November 1, 2023, the transaction was completed.

(2) In November 2023, the transaction was completed, under which Ithaca acquired all of Shell's rights (30%) in the Cambo Reservoir, such that following the acquisition, Ithaca holds 100% of the rights in the reservoir. The consideration for acquisition of the rights was set at USD 1.5 per barrel at a P50 level of certainty in accordance with the development plan of the reservoir. The transaction price is subject to adjustments on the completion date of the transaction, which are not expected to be material for Ithaca. Ithaca will pay most of the consideration amount upon its sale of the rights in the reservoir to a third party or when production begins from the reservoir (first oil), whichever is earlier, all subject to making a final investment decision (FID) for the development of the reservoir and approval of the development plan by the regulator.

(3) On September 27, 2023, the UK regulator (NSTA) announced its consent to the development plan filed by Ithaca and Equinor UK Limited in the Rosebank Reservoir after making a final investment decision (FID) to develop Phase 1 of the reservoir at a total estimated investment of approx. USD 3.8 billion (100%) (Ithaca's share is approx. USD 760 million (approx. NIS 3 billion)).
It should be noted that Ithaca holds 20% of the rights in the reservoir while Equinor holds 80% and also serves as its operator.

NOTE 11 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

L. Oil and gas production in the North Sea through Ithaca (cont.)

(3). (cont.)

Following the approval of the reservoir development plan, the asset was reclassified from exploration and evaluation assets to development assets. Immediately prior to the said reclassification, Ithaca assessed the recoverable amount of the reservoir and reached the conclusion that there is no impairment.

It should be noted that subsequent to the regulator's approval to the development plan, as stated above, the environmental operators in the UK announced that they will petition the court in Edinburgh in connection with the said approval.

(4) Information about Ithaca's reserves

According to a report prepared by NSAI for the Company, which was prepared in accordance with the principles of the Petroleum Resources Management System (SPE-PRMS) as at December 31, 2023, the oil reserves, natural gas, and NGL in the oil assets included in the assets (in respect of the Company's share in Ithaca - approx. 88.55%), are as set out below:

Resources category	**Heavy oil** MBBL (MBBL)	**Light oil** MBBL (MBBL)	**Natural gas** (MMCF)	**Natural gas liquids** (NGL) (MBBL) (MBBL)	**Thousand barrels of oil equivalent** (MBOE)
Proved (P1)	54,775.8	58,119.4	155,955.7	3,369.0	143,153.1
Probable	23,216.2	39,970.9	94,533.0	2,224.7	81,710.6
Proved + Probable Reserves (2P)	**77,991.9**	**98,090.2**	**250,488.7**	**5,593.7**	**224,863.6**
Possible	28,238.3	46,443.5	115,519.4	2,580.3	97,179.3
Proved + probable + possible (3P)	**106,230.3**	**144,533.8**	**366,008.1**	**8,174.0**	**322,042.9**

(*) Equivalent to thousands of barrels of oil.

These estimates of the natural gas reserves, NGL, and contingent resources in Ithaca's rights in reservoirs, are based, among other things, on geological, geophysical and other information. These estimates are the professional estimates and assumptions only of NSAI, for which there is no certainty. The estimates for actual quantities of oil, natural gas and liquefied gas produced may differ from these estimates and assumptions, partly due to technical and operational conditions and/or regulatory changes and/or the supply and demand conditions in the market and/or actual performance of the reservoir. The estimates and assumptions may be revised if additional information becomes available and/or as the result of a range of factors related to oil and natural gas exploration and production projects.

(5) Testing for impairment of oil and gas assets in the North Sea region

(a) 2021

Following the gradual recovery in the price of oil and gas in 2021, the Group, through an independent external appraiser, performed assessments of the need to reverse the impairment of oil and gas development and production assets in the North Sea region, the last of which was performed as of December 31, 2021. As a result, in 2021, the Group recognized income from reversal of the provision for impairment (before tax) in the amount of approx. USD 277 million approx. NIS 895 million) approx. USD 166 million, (approx. NIS 537 million) after tax).

NOTE 11 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

L. Oil and gas production in the North Sea through Ithaca (cont.)

(5) Testing for impairment of oil and gas assets in the North Sea region (cont.)

(a) 2021 (cont.)

The valuations were based on the discounted cash flow method. Following are the assumptions used in the valuation as at December 31, 2021: a discount rate after tax of approx. 9.5% of future Brent oil prices of approx. USD 76 per barrel in 2022, approx. 69 USD/barrel in 2023, approx. 71 USD/barrel in 2024, and reaching USD 74 barrel in 2026, and future gas prices of 164 pence/therm in 2022, 99 pence/therm in 2023, 68 pence/therm in 2024, and reaching 56 pence/therm in 2026.

As at December 31, 2021, the Group, through an external independent appraiser, assessed the need for a provision for goodwill impairment attributable to oil and gas development and production in the North Sea, in its entirety. The recoverable amount of the unit was calculated as the fair value of the investment in oil and gas production operations in the North Sea, net of selling costs, and is significantly higher than the carrying amount of the unit. The appraisal was based on the assumptions used by the Group in assessing the recoverable amount of the oil and gas assets in the North Sea as set out above.

(b) 2022

In 2022, the Group recorded a provision for impairment of production assets in the North Sea in the amount of approx. USD 30 million (approx. NIS 106 million) due to adjustment of the decommissioning liability of assets that are no longer producing.

In addition, as part of the periodic geotechnical assessment, Ithaca defined some of its assets as unsuccessful or commercially nonviable and decided not to extend the license in some of the reservoirs. Accordingly, in the reporting year, the Group included expenses for amortization of the gas and oil assets in the North Sea in the amount of NIS 282 million.

In addition, after the energy profit levy (EPL) came into effect in the second half of 2022 (see also Note 28A(2) below), the Group assessed, through an independent external appraiser, the need for a provision for impairment of the producing assets in the North Sea region. The valuations were based on the discounted cash flow method. Following are the assumptions used in the valuation as at December 31, 2022: a discount rate after tax of approx. 10.9% of future Brent oil prices of approx. USD 89 per barrel in 2023, approx. USD 84 barrel in 2024, approx. USD 83 barrel in 2025 to 2027, and future gas prices of 315 pence/therm in 2023, 211 pence/therm in 2024, 99 pence/therm in 2025, and 86 pence/therm in 2026-2027. For the years subsequent to 2027, it was assumed that the nominal prices will increase at an annual inflation rate of 2%. In accordance with the appraisal, there was no impairment of the producing assets.

As at December 31, 2022, the Group, through an external independent appraiser, assessed the need for a provision for goodwill impairment attributable to oil and gas development and production in the North Sea, in its entirety. The recoverable amount of the unit was calculated as the fair value of the investment in oil and gas production operations in the North Sea, net of selling costs, and is significantly higher than the carrying amount of the unit. The appraisal was based on the assumptions used by the Group in assessing the recoverable amount of the producing assets in the North Sea as set out above.

NOTE 11 - INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (cont.)

L. Oil and gas production in the North Sea through Ithaca (cont.)

(5) Testing for impairment of oil and gas assets in the North Sea region (cont.)

(c) 2023

In view of the decrease in forecasts for oil and natural gas prices in the short term and change in future resources in some of the reservoirs, in 2023 the Group continued to assess the recoverable amount of the oil and gas assets in the North Sea region; the last assessment was performed as at December 31, 2023. Following the assessment, in the reporting period, the Group recorded a provision for impairment of the oil and gas assets (mainly in respect of the Alba and GSA Reservoirs), in the amount of approx. USD 289 million (approx. NIS 1,050 million) before the effect of tax. In addition, in the reporting period, the Group recorded a provision for impairment due to the revised decommissioning liability for non-producing assets in the amount of approx. USD 43 million (approx. NIS 158 million) before the effect of the tax. The revision of the decommissioning liability is mainly due to changes in the forecast of costs.
The effect after tax of the impairment on the net income attributable to the Company's shareholders amounted to approx. USD 72 million (approx. NIS 261 million) in the reporting period.
Following are the assumptions used in the assessment of the recoverable amount of the assets as at December 31, 2023: a discount rate after tax of approx. 11.9%, future Brent oil prices of approx. USD 85 per barrel in 2024, approx. USD 83 per barrel in 2025, approx. USD 87 per barrel in 2026, approx. USD 90 per barrel in 2027 and approx. USD 93 per barrel in 2028, and future gas prices of 101 pence/therm in 2024, 96 pence/therm in 2025, 83 pence/therm in 2026, 85 pence/therm in 2027, and 87 pence/therm in 2028.

As at December 31, 2023, the Group assessed the need for a provision for goodwill impairment attributable to oil and gas development and production in the North Sea, in its entirety. The recoverable amount of the unit was calculated as the fair value of the investment in oil and gas production operations in the North Sea, net of selling costs, and is significantly higher than the carrying amount of the unit. The appraisal was based on the assumptions used by the Group in assessing the recoverable amount of the producing assets in the North Sea as set out above.

The said valuations are classified at Level 3 on the fair value hierarchy.

If Ithaca's revenue decreases by 20%, while the other assumptions remain unchanged, the impairment after the effect of tax of the oil and gas assets (attributable to the Company's shareholders) will increase by approx. USD 19 million (approx. NIS 69 million), without any impairment of goodwill. A 1% increase in the discount rate will not lead to any material change in impairment.

NOTE 12 - PROPERTY, PLANT, AND EQUIPMENT

A. Composition and changes

2023

	Packing houses and commercial buildings	Other property, plant and equipment	Total
		NIS million	
Cost			
Balance as at January 1, 2023	-	220	220
Additions during the year	1	6	7
Commencement of consolidation *)	348	24	372
Exchange differences on translation of foreign operations	-	4	4
Balance as at December 31, 2023	349	254	603
Accumulated depreciation			
Balance as at January 1, 2023	-	96	96
Depreciation	3	16	19
Exchange differences on translation of foreign operations	-	3	3
Balance as at December 31, 2023	3	115	118
Depreciated cost as at December 31, 2023	346	139	485

*) For information about the commencement of consolidation of Mehadrin - see Note 9A(3).

2022

	NIS million
Cost	
Balance as at January 1, 2022	183
Additions during the year	19
Exchange differences on translation of foreign operations	18
Balance as at December 31	220
Accumulated depreciation	
Balance as at January 1	53
Depreciation	35
Exchange differences on translation of foreign operations	8
Balance as at December 31	96
Amortized cost as at December 31	124

B. For information about liens, see Note 22.

NOTE 13 - GOODWILL

A. Change:

	NIS million
Balance as at January 1, 2022	2,707
Additions (*)	217
Adjustments from translation of financial statements of foreign operations	357
Balance as at December 31, 2022	3,281
Additions	
Adjustments from translation of financial statements of foreign operations	101
Balance as at December 31, 2023	3,382

(*) Goodwill arising on acquisition of Summit shares (see Note 9A(1)(h) above)

B. Testing for goodwill impairment

To test for impairment of goodwill, the goodwill was attributed to operating segments, as follows:

	December 31	
	2023	2022
	NIS million	
Oil and gas exploration and production in and around Israel (1)	374	363
Oil and gas exploration and production in the North Sea (2)	3,008	2,918
Total	3,382	3,281

(1) As at December 31, 2023, goodwill attributable to oil and gas exploration and production in and around Israel amounted to approx. NIS 374 million (as at December 31, 2022 - NIS 363 million). Goodwill was created by assuming control over Avner Oil Exploration Partnership (a partnership which merged with NewMed). As at December 31, 2023, the Company assessed the recoverable amount of the gas and oil exploration and production operations in and around Israel, based on the value of the operation, arising mainly from the share price of NewMed Energy. In view of the assessment, the Group was not required to recognize goodwill impairment.

(2) Goodwill attributable to oil and gas exploration and production in the North Sea region amounted as at December 31, 2023 and 2022 to approx. USD 829 million, respectively (approx. NIS 3,008 million as at December 31, 2023 and approx. NIS 2,918 million as at December 31, 2022). For information about the assessment for impairment of goodwill in 2023, 2022, and 2021, see Note 11I(5).

NOTE 14 - PAYABLES AND CREDIT BALANCES

	December 31 2023	December 31 2022
	NIS million	
Trade payables	239	52
Institutions	3	25
Accrued expenses	993	1,187
Salaries and incidentals	30	11
Related parties	28	10
Asset decommissioning liability (see Note 20)	396	552
Payables for joint ventures in oil and gas	574	692
Deferred and contingent considerations for business combinations (see Note 20)	369	379
Citrus growers and farmers	44	-
Interest payable	183	34
Dividend to non-controlling interests	-	81
Prepaid income	178	303
Others	334	595
	3,371	3,921

NOTE 15 - LOANS FROM BANKS AND OTHERS

A. Short-term credit and current maturities of long-term loans

	Annual interest rate *)	December 31 2023	December 31 2022
	%	NIS million	
Short-term loans			
In USD	SOFR+2.7	290	-
Non-linked	6.8-7.5	270	-
		560	-
Current maturities of long-term loans		277	-
		837	-

*) The rate presented is a weighted average as at December 31, 2023.

B. Long-term loans

	Annual interest rate *)	December 31 2023	December 31 2022
	%	NIS million	
In USD (see Sections d-e below)	SOFR+3.59	1,388	2,085
CPI-linked (see Section E5 below)	7.0	107	104
Others	2.5-7.5	79	-
		1,574	2,189
Less - current maturities		(277)	-
Total long-term loans		1,297	2,189

*) The rate presented is a weighted average as at December 31, 2023.

NOTE 15 - LOANS FROM BANKS AND OTHERS (cont.)

C. Repayment dates of long-term loans:

	December 31, 2023
	NIS million
First year (current maturities)	277
Second year	950
Fifth year and onwards	347
	1,574

D. Loans and credit agreements of Ithaca

(1) In July 2021, Ithaca entered into an agreement with banking corporations for a reserve-based lending (RBL) facility, amounting to approx. approx. USD 725 million as at December 31, 2023 (as at the financial statements' publication date - USD 836 million), repayable by 2026. It should be noted that as at December 31, 2023, Ithaca did not draw loans from the above facility (as at December 31, 2022, the balance of the loans amounted to USD 600 million).
The loans that were drawn from the facility bear annual interest of SOFR plus a margin of 3.5% in the first four years and 3.75% in the fifth year, and will be called for final redemption by 2026.
To secure the RBL Facility, Ithaca pledged the shares of subsidiaries that directly hold rights in the oil assets in a first-degree lien in favor of the lenders and floating and fixed liens on the assets of the subsidiaries, as is standard in this type of transaction.

The terms of the RBL Facility set out a number of restrictions, the breach of which will serve as grounds to call for immediate repayment of the debt, as is standard in loans of this type, including restrictions on taking additional credit, acquiring and selling assets, creating pledges and guarantees for making certain payments in connection with the share capital (including, subject to certain exceptions, dividend payments).
Under the terms and conditions of the RBL Facility, Ithaca undertook to maintain the financial and operational covenants, as follows:

- The net debt to EBITDAX ratio in the relevant period will be less than 1:3.5;
- The total amount of the expected sources should exceed the total expected uses in the next 12 months (or for a longer period until production starts from the development, if relevant).
- The ratio between the net present value of the guaranteed cash flows under the RBL Facility for the life of the projects and the amount drawn under the RBL Facility will not fall below 1:1.15;
- The ratio between the net present value of the guaranteed cash flows under the credit facilities for the life of the RBL Facility and the amount drawn under the credit facility will not fall below 1:1.05.
  Non-compliance with any of the covenants described above constitutes an event of default for which the lenders are entitled to call for immediate repayment of the debt.

As at December 31, 2023, Ithaca is in compliance with all the financial covenants.

(2) In 2023, Ithaca signed an agreement with BP for a credit facility in the amount of USD 100 million, for 5 years. As at December 31, 2023, the facility has been used in full. The loan bears variable interest rate based on SOFR interest plus a margin as determined between the parties.

(3) In 2023, Ithaca signed an agreement with its partner in an oil project under which it is entitled to receive credit from the partner of up to USD 150 million in connection with development of the asset. The loan, if withdrawn by Ithaca, is expected to be repaid in installments as from 2027. The loan will bear variable interest based on SOFR interest (subject to a 5% minimum) plus a margin as determined between the parties.

NOTE 15 - LOANS FROM BANKS AND OTHERS (cont.)

E. Other loans and credit agreements

(1) As at December 31, 2023, the Partnership has two credit facilities in a total amount of USD 150 million, of which a balance of approx. USD 80 million (approx. NIS 290 million) was drawn and which was repaid in full subsequent to the balance sheet date.

On March 14, 2024, the Partnership and the Bank of Israel signed an agreement for a bank credit facility, that cancels all the above previous credit facilities, for use by the Partnership in its operating activities. Under the terms of the credit facility, the Partnership may, from time to time, withdraw loans in USD, up to a total amount of USD 100 million, during the availability period beginning on March 14, 2024 and ending on March 7, 2025. As at the approval date of the financial statements, the Partnership has not yet utilized the credit facility. According to the Agreement, for the unutilized part of each of a credit facility, the Partnership will pay a quarterly non-utilization fee at an annual rate of 0.65%, until withdrawal by the Partnership or until the end of the availability period, whichever is earlier. Any loan withdrawn from the credit facility will bear annual SOFR interest plus a margin of 2.5%; the loan principal to be withdrawn as aforesaid, will be repayable by April 15, 2026.

The credit facility includes covenants according to which the ratio of the value of the Partnership's assets as defined in the agreement, and the net financial debt as defined in the agreement, will not fall below 1.5 on 2 consecutive testing dates and also that the ratio between the retained earnings and the amount of the credit facility will not fall below 1; for this calculation, an amount equal to the undrawn balance of the credit facility on that date will be added to the earnings and will be considered as part of the aforesaid "retained earnings".

(2) As at December 31, 2023, the balance includes an amount of approx. USD 78 million (approx. NIS 283 million) for a bank loan that was withdrawn in March 2023 by the Company. The loan bears interest at the SOFR interest rate plus 3.2% in the first year of the loan, 3.75% in the second year, and 4.5% in the following period. The loan is repayable in semi-annual payments over 3 years from the withdrawal date, and the agreement sets out certain events that require including if Ithaca distributes a dividend. The loan is secured by a first-degree lien on Ithaca's shares, constituting approx. 20% of its share capital, and by a financial deposit that has a balance of approx. USD 19 million as of December 31, 2023, serving as a security cushion for repayment of the loan, and the Company may be required to provide collateral if the debt-to-collateral ratio falls below the rate set out in the agreement. In addition, under the agreement, the Company is required to comply with financial covenants that include compliance with the ratio of financial liabilities (as defined in the agreement) to separate total assets, which does not exceed 60% and to maintain a minimum amount of the cash balance. In addition, the agreement includes grounds for immediate repayment of the loans, including compliance with the Company's obligations under the agreement, as set out above, cross default, and a significant deterioration in the Company's business situation. As at December 31, 2023, the Company is in compliance with the terms of the loan.

(3) On September 21, 2023, Delek Leviathan Overriding Royalty, wholly owned by the Company (hereinafter - the "Borrower") entered into a financing agreement with a consortium of banking corporations (hereinafter - the "Lenders") for a USD 215 million loan, that was secured, among other things, by a pledge on the rights to overriding royalties from the Leviathan Project (hereinafter - the "Leviathan Overriding Royalty"). On October 17, 2023, after all terms and conditions were met, the Borrower withdrew the USD 215 million loan (approx. NIS 780 million as of December 31, 2023). The loan is for a 4-year term from the withdrawal (hereinafter - the "Final Repayment Date") and bears variable interest at the SOFR rate plus a variable spread in each loan term. The loan principal will be repaid in full on the Final Repayment Date, while the agreement specifies certain events that require early repayment of part of the principal. The loan is secured, among other things, by a first-degree lien on the rights to the Leviathan Overriding Royalty, certain accounts in connection with the loan, Delek Overriding Royalty Leviathan's loss of profit insurance policies and the Delek Leviathan Overriding Royalty shares held by Delek Energy, as well as a pledged deposit used as a security buffer for repayment of the interest. The agreement also sets out a financial covenant which the Company is required to comply with (LTV ratio, as defined in the financing documents, at a rate not exceeding 75%).

NOTE 15 - LOANS FROM BANKS AND OTHERS (cont.)

E. Other loans and credit agreements (cont.)

(3) (cont.)

The financial consideration of the issuance, less a security buffer of approx. USD 29 million to secure the interest payments, which will be held in an account pledged to the favor of the Lenders, was used mainly for full early repayment of the debentures on October 30, 2023 issued by Delek Overriding Royalty Leviathan in 2020, the original repayment date of which was December 30, 2023. It should be noted that, in accordance with the terms and conditions of the debentures, the prepayment in the quarter preceding the original repayment date was not subject to early repayment fees to the debenture holders.

The Borrower has undertaken that all the proceeds from the Leviathan Overriding Royalty will be deposited in revenue account pledged in favor of the Lender, which is subject to a waterfall payment mechanism, while any surpluses remaining in the account may be used for distribution subject to a historical debt service coverage ratio of 1:1.4 in the quarter preceding the calculation date.

As is standard in financing transactions of this type, the loan documents included covenants, restrictions, undertakings, and grounds to call for immediate repayment and realize the pledges.

It should be noted that as at December 31, 2023, Delek Leviathan Overriding Royalty is in compliance with all the covenants set out above.

(4) For the loans and borrowings from banking corporations and other credit providers of Mehadrin, the balance of which as at December 31, 2023 amounts to approx. NIS 350 million, Mehadrin undertook to meet the following financial covenants:

- The tangible equity of Mehadrin will not fall below NIS 300 million.
- The ratio of tangible equity to the total assets of Mehadrin will not fall below 25%,
- The net financial debt to EBITDA ratio of Mehadrin for the last four quarters will not exceed 5.

The first and second ratios are measured at the end of each quarter, and the third ratio is measured every March 31 and September 30 only.

The lender has the right to call for immediate repayment of the loan, on the grounds set out in the agreement, including in the event of a change in control of the Company, and the right to interest on arrears. Dividend distribution and repayment of shareholder loans will be subject to the compliance of Mehadrin with the financial covenants. Mehadrin undertook additional obligations, including certain restrictions on providing loans and guarantees, factoring, maintaining currency hedges, restrictions on transactions with related parties, and restrictions on structural changes and changes in control, all under terms and conditions that have been agreed upon.

As at March 31 and September 30, 2023, Mehadrin was not in compliance with the financial covenant related to the net financial debt to EBITDA ratio. In November 2023, Mehadrin received waivers from each of the lending entities regarding the violation, according to which, notwithstanding the violation, the rights of the lending entities to call for immediate payment of the Group’s debts and liabilities towards them will not be exercised. Additionally, for the waivers, the Group was not required to amend the terms of the loans and the existing financial covenants.

Accordingly, as at December 31, 2023, the Group classified long-term loans in the total amount of approx. NIS 53 million, for which the current maturities amounted to approx. NIS 25 thousand, to current liabilities. The next review of the covenants will be in the first quarter of 2024.It should be noted that as at the approval date of the financial statements, Mehadrin expects it will fail to comply with the financial covenants on March 31, 2024 as well; however, it expects to receive waivers from one of the lenders, according to which the rights of the lenders to call for immediate repayment of Mehadrin’s debts and liabilities to them will not be exercised.

NOTE 15 - LOANS FROM BANKS AND OTHERS (cont.)

E. Other loans and credit agreements (cont.)

(5) In January 2021, the Company, together with Fattal, received a loan of approx. NIS 145 million from a third party for refinancing a real estate property in Herzliya (see also Note 10A), (the Company's share is approx. NIS 103 million). The loan is for three years and is secured by a lien on the property. The outstanding loan principal bears fixed annual interest of 7% and is linked to the increase in the CPI. It should be noted that subsequent to the balance sheet date, the loan was repaid in full and the lien on the property was lifted.

F. For information about additional collateral, see Note 22.

NOTE 16 - DEBENTURES

A. Composition of debentures:

	Weighted interest rate as at December 31, 2023	December 31 2023	December 31 2022
	%	NIS million	
Unlinked NIS debentures issued by the Company	6.7	3,662	4,069
Debentures in USD issued by the Company and its subsidiaries	6.9	8,552	10,393
		12,214	14,462
Less - current maturities		(178)	(2,872)
		12,036	11,590

B. Contractual repayment dates of debentures subsequent to the balance sheet date: *)

	December 31, 2023
	NIS million
First year (current maturities)	178
Second year	2,643
Third year	2,822
Fourth year	2,748
Fifth year	659
Sixth year and onwards	3,164
	12,214

(*) For information about early repayment of Debentures (Series B35) and the expansion of the Debentures (Series B38) subsequent to the balance sheet date, see Section C(3) below.

NOTE 16 - DEBENTURES (cont.)

C. Changes in debentures issued by the Company in 2023 and subsequent to the balance sheet date

(1) In February 2023, the Company completed an exchange tender offer for the exchange of NIS 834,923,664 par value Debentures (Series B31) and NIS 834,923,664 par value Debentures (Series B34) for NIS 1,750,000,000 par value Debentures (Series B37), a new series issued by the Company.
The Debentures (Series B37) are not linked to the CPI and bear annual interest at rate of 6.75%. The debenture principal will be repaid in five annual installments starting on January 31, 2025. The interest will be paid in semi-annual installments on July 31 and January 31, starting on July 31, 2023. To secure the repayment of Debentures (Series B37), the Company pledged Ithaca shares representing approx. 23% of its equity and NewMed Energy participation units representing approx. 20% of its equity.
For information about the Company's liabilities in accordance with the deed of trust of Debentures (Series B37) and the financial covenants, see Section D below.
After completion of the exchange tender, as set out above, the Company made early repayment of the entire balance of Debentures (Series B31 and B34) in consideration for NIS 1,022 million. Following the full repayment of Debentures (Series B31 and B34), all the restrictions and encumbrances that were applicable to the Company under the deeds of trust of the old debentures, were lifted, including their amendments.
Following the exchange and early redemption of the debentures, in the first quarter of 2023, the Company recognized additional finance expenses in the amount of approx. NIS 147 million.

(2) On September 6, 2023, the Company issued NIS 816,891,000 par value in a new series of debentures - Debentures (Series B38). The Debentures are not linked to the CPI and bear annual interest at rate of 6.52%. The debenture principal will be repaid in five annual installments starting on October 31, 2025. The interest is paid in semi-annual installments on April 30 and October 31, starting on April 30, 2024. The net issuance consideration of the debentures (net of issuance expenses) amounted to approx. NIS 809 million, while approx. NIS 316 million was used for early repayment of some Debentures (Series B35).

(3) On December 31, 2023, the Company's board of directors approved a private placement of NIS 515,000,000 par value Debentures (Series B38) of the Company by way of expansion of the series. The debentures were issued subsequent to the balance sheet date, in January 2024, in consideration for approx. NIS 534 million. The consideration of the issuance was used in full for full early redemption of the balance of Debentures (Series B35).

D. The Company’s undertakings under the debentures’ deed of trust

Under the deeds of trust for the various debentures, the Company undertook as follows:

(1) As long as the Company’s debentures 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 in accordance with the terms and conditions set out in the deeds of trust.

(2) The Company undertook to comply with the following financial covenants:
- The Company's equity, according to its audited or reviewed Consolidated Financial Statements, as the case may be, will not fall below a minimum amount set out in the deeds of trust, for two consecutive quarters, with the higher amount being NIS 3,250 million.
- The Company's equity, according to its audited or reviewed separate financial statements, as the case may be, will not fall below a rate of the total assets set out in the deeds of trust, for two consecutive quarters, with the higher rate being 18%.

NOTE 16 - DEBENTURES (cont.)

D. The Company’s undertakings under the debentures’ deed of trust (cont.)

(3) The Company has undertaken not to make any distribution (as this term is defined in the Companies Law), including not to declare, pay, or distribute any dividend (as the terms are defined in the Companies Law), unless all the terms listed below are met (before and after deduction of the distribution amount): 1) Following the distribution, the equity will not fall under the amount set in each of the deeds, with the highest being NIS 3,500 million; 2) According to the deeds of trust of Debentures (Series B37 and B38), the separate equity to asset ratio shall not fall, subsequent to the distribution, below the 22% ratio set in the deeds; 3) 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; 4) There are no grounds for immediate repayment; 5) The Company is not in breach of one of the financial covenants nor will it be in breach thereof subsequent to the distribution.

(4) The deeds of trust set out grounds for immediate repayment of debentures, 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); as for Debentures (Series B37 and B38 - the downgrade of debentures below BBB- or an equivalent rating; a substantial deterioration in the Company’s business; 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.

(5) In addition, the deeds of trust of Debentures (Series B36, B37 and B38) prescribe events, which, if they occur, the interest rate on the debentures will be adjusted, as follows: 1) A downgrade below the base rating of “Baa1” for Debentures (Series B37) and “A3” for Debentures (Series B38) will result in a cumulative increase of the interest rate of up to 1% above the base interest rate; 2) If the Company’s equity falls below NIS 1,650 million for Series B36, from NIS 3,150 million for Series B37, and from NIS 3,350 million for Series B38 according to its audited or reviewed Consolidated Financial Statements, as the case may be, or the equity to total assets (separate) ratio falls below 20% for Debentures (Series B37 and B38), or will fall below 16% for Debentures (Series B37), the interest rate will increase by 0.25% for each breached covenant.

It should be noted that the Company's Debentures (Series B37 and B38) are rated A3.il with a stable outlook by Midroog.

As at December 31, 2023, the Company is in compliance with covenants and terms and conditions set out in the deeds of trust.

To guarantee repayment of the debentures, the Group will pledge part of the participation units of NewMed Energy and part of the shares of Ithaca (regarding the pledges, see also Note 22B below).

E. Debentures issued by consolidated companies and subsidiary partnerships

(1) In July 2021, as part of a refinancing process, Ithaca issued a debenture series in the amount of USD 625 million. The debentures bear interest at a rate of 9% (paid every six months). The debenture principal is repayable in July 2026. The debentures will constitute a senior debt of the issuer and will be guaranteed by Ithaca and some of its subsidiaries. Under the terms and conditions of the debentures, insolvency of any the guarantors will constitute grounds to call for immediate repayment of the debt. The terms and conditions of the debentures set out a number of restrictions, the breach of which will serve as grounds to call for immediate repayment of the debt, as is standard in loans of this type, including restrictions on taking additional credit, acquiring and selling assets, and restrictions on the distribution of a dividend.

NOTE 16 - DEBENTURES (cont.)

E. Debentures issued by consolidated companies and subsidiary partnerships (cont.)

(2) Leviathan Bond debentures

On August 18, 2020, the issue of debentures by Delek Leviathan Bond Ltd. (hereinafter - the “Issuer") was completed. The Issuer is a special purpose company (SPC) held fully by the Partnership, according to which debentures amounting to USD 2.25 billion were issued. The debentures were issued in four series. The principal and interest of the debentures are in USD. The interest on the debentures of each of the Series is paid twice a year, on June 30 and December 30.
On August 3, 2020, the Issuer received the approval of the Tel Aviv Stock Exchange Ltd. (hereinafter - the “TASE”) to list the debentures for on the TACT-Institutional system of the TASE.
To secure the debentures, the Partnership pledged in favor of the debenture trustee in a first fixed lien, all its rights in the Leviathan Project (45.34%). The Partnership also pledged the shares held by it in the Issuer, in NBL Jordan Marketing Limited, and in Leviathan Transportation System Ltd. In addition, the Issuer pledged its rights in all of its existing and future assets, in a first floating lien, in favor of the Trustee, and pledged its rights in the loan agreement and in its bank accounts in favor of the Trustee. According to the Financing Documents, the Partnership’s undertakings to the Trustee and the debenture holders are limited to the Pledged Assets, with no guarantee or additional collateral.
As is standard in financing transactions of this type, under the Financing Documents, the Partnership assumed stipulations, restrictions, covenants, which include, inter alia, the following obligations: Restrictions on additional pledges on the pledged assets and their sale; restrictions on a merger or restructuring as set out in the issue documents; restrictions on amending or revising the joint operating agreement, the agreement for use of the facilities, or agreements for the sale of gas, as set out in the issuance documents; restrictions on expansion of the debenture series or taking additional debt secured by the pledged assets, subject to compliance with several conditions.

In addition, the Financing Agreements prescribed events of default, which - were they to occur, subject to certain remediation periods, restrictions and conditions prescribed - the trustee for the debentures will be entitled (and in case demanded by one quarter of the debenture holders - will be obligated) to call for immediate repayment of the outstanding balance of the debentures and will be entitled to call for the realization of the pledges, including in case of cross-default of other debts for a total set out in the Financing Agreements.
The debentures are rated by international rating agencies and an Israeli rating agency.

On May 1, 2023, a partial prepayment was made of the first series of debentures, as described below, whose original due date was June 30, 2023 under the terms of the debentures, in the amount of USD 280 million (out of a total of the series of USD 500 million), and on June 30, 2023, the balance of the first series of debentures was repaid in full and on the due date, in accordance with the terms of the debentures.

As at the approval date of the financial statements, the Partnership has fulfilled its obligations under the agreement as set out above.

(3) For information about early repayment of the USD debentures by Delek Leviathan Overriding Royalty (the balance of which as at December 31, 2022 was approx. USD 180 million (approx. NIS 633 million), see Note 15(e)(3) above.

NOTE 17 - FINANCIAL INSTRUMENTS

A. Financial risk factors

The Group's activities expose it to various financial risks, such as market risk (including currency risk, CPI risk, interest risk, and price risk), credit risk and liquidity risk. The Group's comprehensive risk management plan focuses on measures to minimize possible negative effects on the financial performance of the Group. The Group uses derivative financial instruments to hedge against exposure to certain risks.

1. Exchange rate risk

The Group is exposed to exchange rate risk due to exposure to various currencies, such as the USD, EUR, GBP, and other currencies. The exchange rate risk is due to future commercial transactions and for recognized assets and liabilities denominated in foreign currency other than the functional currency of the different companies.
The Group companies enter transactions involving derivative financial instruments, from time to time, such as forward transactions and options to hedge their exposure to exchange rate fluctuation.
As at December 31, 2023, the consolidated company has open agreements for forward transactions for the purchase of GBP in exchange for USD, averaging approx. GBP 10.2 million per quarter at a rate of USD 1.219 per GBP 1, from January to December 2024. In addition, the subsidiary has open agreements in collar transactions for the purchase of GBP pounds in exchange for USD, averaging approx. GBP 30.3 million per quarter at an average minimum rate of USD 1.2 to the GBP and at an average maximum rate of USD 1.23 per GBP, for the period from January to December 2024. The fair value of these transactions reflect a liability of approx. NIS 34 million. These transactions are designated as unrecognized hedge accounting against future cash balances and agreements denominated in GBP.

The table below presents the effect of possible changes in the exchange rates of the main functional currencies of the Group companies on pre-tax income due to a change in the value of financial assets and liabilities as at the balance sheet date.

	2023		2022	
	Increase of 10%	Decrease of 10%	Increase of 10%	Decrease of 10%
Risk factor	NIS million			
GBP-USD exchange rate	446	(446)	491	(491)

In addition, it should be noted that the Company has significant investments in foreign operations whose functional currency is the USD (mainly Ithaca and NewMed Energy). An increase (decrease) of 10% in the USD exchange rate will result in an increase (decrease) in the capital attributed to the Company's shareholders (before the tax effect) of approx. NIS 1,090 million (as at December 31, 2022 - NIS 1,023 million).

2. Credit risk

The Group holds cash and cash equivalents, short- and long-term investments and other financial instruments in various financial institutions in Israel and abroad on the highest level.
The Company has exposure to major customers for oil and gas production in Israel and abroad, although the managements of the consolidated companies estimate the credit risk for these customers as low risk, based on past experience and in view of the collateral provided by some of the customers. The consolidated companies and the Partnership monitor trade receivables regularly. As at December 31, 2023, all trade receivables for oil and gas (representing approx. 90% of total trade receivables) are current balances for which the Group was not required to recognize a provision for doubtful debts.

NOTE 17 - FINANCIAL INSTRUMENTS (cont.)

A. Financial risk factors (cont.)

3. Liquidity risk

The table below presents the repayment dates of the Group's financial liabilities in accordance with the contractual terms, undiscounted:

As at December 31, 2023

	Up to one year	From one to 3 years	From 3 to 5 years	Over 5 years	Total
			NIS million		
Loans from banks and others	934	427	1,255	5	2,621
Trade and other payables	1,818	-	-	-	1,820
Derivatives	53	-	-	-	52
Lease liability	89	28	26	42	184
Debentures	1,039	6,824	4,019	3,486	15,368
Other long-term liabilities	-	633	269	161	1,063
	3,933	7,912	5,569	3,694	21,108

As at December 31, 2022

	Up to one year	From one to 3 years	From 3 to 5 years	Over 5 years	Total
			NIS million		
Loans from banks and others	178	452	2,282	-	2,912
Trade and other payables	3,120		-	-	3,120
Derivatives	482	95	-	-	577
Lease liability	147	61			208
Debentures	3,809	5,274	6,262	2,780	18,125
Other long-term liabilities	-	208	338	8	554
	7,736	6,090	8,882	2,788	25,496

NOTE 17 - FINANCIAL INSTRUMENTS (cont.)

A. Financial risk factors (cont.)

4) Price risk

(a) Risk associated with commodity prices

(1) Ithaca is exposed to changes in oil and gas prices for its future sales. To hedge the exposure, Ithaca has hedge transactions on gas prices for part of its future production. Information about open transactions as at December 31, 2023:

Transactions on the price of oil

	Period	Quantity (MBBL of oil)	Average exercise price (USD/barrel)
Swap	January 2024 to December 2024	1,932	82
Collar	January 2024 to December 2024	2,744	75 - lower limit, 87 - upper limit

Transactions on the price of gas

	Period	Quantity (ktherms)	Average exercise price (pence/therm)
Swap	January 2024 to December 2024	53,175	140
Swap	January 2025 to September 2025	18,225	120
Collar	January 2024 to December 2024	123,350	135 - lower limit, 210 - upper limit
Collar	January 2025 to March 2025	9,000	130 - lower limit, 185 - upper limit

Most of the transactions are accounted for as hedge accounting. As at December 31, 2023, the fair value, net, of the hedge transactions amounted to an asset of approx. NIS 552 million (2021 - an asset of approx. NIS 49 million).

It should be noted that a 20% decrease in oil and gas prices will lead to a drop in value of the instruments (against a parallel decrease in other comprehensive income before the effect of tax) of approx. USD 113 million (approx. NIS 410 million) and an increase in oil and gas prices will lead to a rise in value of the instruments of approx. USD 88 million (approx. NIS 319 million).

(2) In NewMed's contracts for the supply of natural gas, the price of gas is based on price formulas that include various linkage components, including linkage to the electricity generation tariff, the Brent price per barrel, and the NIS-USD exchange rate (see Note 11H1(c)(5) above). In natural gas supply contracts the Partnership has signed, price floor limits were set alongside the price formulas, that limit to a certain extent the exposure to volatility of the linkage components. However, there is no certainty that the Partnership will also be able to set such price floors in new contracts that it will sign in the future. A decrease in the electricity generation tariff and/or a decrease in Brent prices and/or an increase in the NIS/USD exchange rate (devaluation of the NIS against the USD), may adversely affect the Partnership's income from existing and future gas sales agreements.

NOTE 17 - FINANCIAL INSTRUMENTS (cont.)

A. Financial risk factors (cont.)

4. Price risk (cont.)

(b) Risk associated with the market price of marketable securities

The table below presents the impact of possible changes on market prices of securities on pre-tax income.

	2023		2022	
	5% increase in securities prices	5% decrease in securities prices	5% increase in securities prices	5% decrease in securities prices
	NIS million			
Loan to the buyers of The Phoenix shares	21	(23)	7	(9)

5. Interest rate risk

The Group is exposed to changes in interest rates in respect of variable interest-bearing bank loans (mainly interest at the SOFR rate).

The table below describes the effect on pre-tax income following possible changes in market interest rates in respect of financial instruments bearing variable interest:

	Effect on earnings (loss)			
	2023		2022	
	Increase of 1%	Decrease of 1%	Increase of 1%	Decrease of 1%
Risk factor	NIS million			
SOFR interest	(17)	17	(16)	16

To hedge the exposure, the Group companies sometimes enter into cross-currency interest rate swaps from variable to fixed interest. It is noted that, as at December 31, 2023, there were no material interest rate swap transactions.

6. Sensitivity analyses of the value of contingent considerations

a) Sensitivity analysis of the value of receivable contingent consideration for the sale of rights in the Karish and Tanin leases by NewMed Energy, as set out in Note 8C above, to the main parameters used in the valuation:

	Pre-tax income (loss)			
	NIS million			
(1) Change in the discount rate	2%	1%	-1%	-2%
As at December 31, 2023	(76)	(40)	44	90
As at December 31, 2022	(80)	(43)	41	90

NOTE 17 - FINANCIAL INSTRUMENTS (cont.)

A. Financial risk factors (cont.)

6. Sensitivity analyses of the value of contingent considerations (cont.)

a) (cont.)

(2) Change in the price of natural gas

	Pre-tax income (loss) NIS million			
	10%	5%	-5%	-10%
As at December 31, 2023	52	26	(40)	(53)
As at December 31, 2022	51	23	(52)	(31)

b) Below is a sensitivity analysis of the value of contingent considerations payable in connection with the Marubeni and Siccar Point business combinations:

	Effect on earnings (loss)			
	2023		2022	
	Increase of 20%	Decrease of 20%	Increase of 20%	Decrease of 20%
Risk factor	NIS million			
Changes in chances of occurrence of the said event	(305)	352	(294)	306
Change in oil prices	(149)	85	(93)	128

	Effect on earnings (loss)			
	2023		2022	
	Increase of 1%	Decrease of 1%	Increase of 1%	Decrease of 1%
Risk factor	NIS million			
Change in the discount rate	19	(19)	15	(15)

7. Main assumptions used in calculation of sensitivity tests

The changes selected in the relevant risk variables were based on management assessments of the reasonable changes that are likely to occur in these risk variables.

The Company performed sensitivity tests for the main market risk factors that might affect the operating results or financial position. The sensitivity analyses present the profit or loss and/or change in equity (before tax) for each financial instrument for the relevant risk variable for each reporting date. Risk factors are tested on the basis of the significance of the exposure of the operating results or financial position of each risk factor in relation to the functional currency and assuming that all the other variables are constant.

The risk is not exposed to interest risk in loans at fixed interest. For loans at variable interest, the sensitivity test for interest risk will only be performed on the variable component in the interest.

NOTE 17 - FINANCIAL INSTRUMENTS (cont.)

B. Fair value

The table below describes the balance in the financial statements and the fair value of classes of financial instruments, presented in the financial statements, not on the basis of fair value:

	Balance		Fair value	
	December 31		December 31	
	2023	2022	2023	2022
	NIS million			
Financial liabilities				
Debentures	12,387	14,491	11,211	14,393

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

The carrying amount of financial instruments such as cash and cash equivalents, short-term investments, trade receivables, receivables and debit balances, short and long-term loans from banks and others, and liabilities to trade payables and other payables is equal to or approximates their fair value.

C. Classification of financial instruments according to fair value level

To measure the fair value of assets or liabilities, the Group classifies them into three levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities, accessible to the entity at the date of measurement.

Level 2: inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Assets or liabilities measured at fair value are classified on the basis of the lowest level that is significantly used to measure the fair value of the asset or liability as a whole.

Financial assets measured at fair value

	Level 1	Level 2	Level 3
	NIS million		
December 31, 2023			
Financial assets at fair value through profit or loss			
Shares	2	-	-
Seller's loan to the buyers of The Phoenix	-	-	200
Royalties receivable for the sale of the Karish and Tanin leases	-	-	991
Loan provided for the sale of the Karish and Tanin leases	-	168	-
Financial derivatives	-	18	-
Financial assets at fair value through other comprehensive income			
Cash flow hedging transactions	-	560	-

NOTE 17 - FINANCIAL INSTRUMENTS (cont.)

C. Classification of financial instruments according to fair value level (cont.)

Financial liabilities measured at fair value

	Level 1	Level 2	Level 3
		NIS million	
December 31, 2023			
Financial derivatives	-	40	-
Contingent consideration	-	87	988
Financial liabilities at fair value through other comprehensive income			
Cash flow hedging transactions	-	12	-

	Level 1	Level 2	Level 3
		NIS million	
December 31, 2022			
Financial assets at fair value through profit or loss			
Shares	4	-	-
Seller's loan to the buyers of The Phoenix	-	-	185
Royalties receivable for the sale of the Karish and Tanin leases	-	-	1,129
Loan provided for the sale of the Karish and Tanin leases	-	189	-
Financial derivatives	-	25	-
Financial assets at fair value through other comprehensive income			
Cash flow hedging transactions	-	580	-

	Level 1	Level 2	Level 3
		NIS million	
December 31, 2022			
Financial derivatives	-	202	-
Contingent consideration	-	125	786
Financial liabilities at fair value through other comprehensive income			
Cash flow hedging transactions	-	375	-

In 2023 and 2022, there were no transfers between the different levels of the fair value hierarchy.

NOTE 18 - ASSETS AND LIABILITIES FOR EMPLOYEE BENEFITS

Post-employment benefits

Labor laws and the Severance Pay Law in Israel requires Group companies operating in Israel for severance pay to employees if they are dismissed or when they retire or to make routine deposits in defined contribution plans under Section 14 of the Severance Pay Law, 1963 (hereinafter - the “**Severance Pay Law**”), as described below. The liability of the Group companies for this is recognized as a post-employment benefit. The liability of the Group companies for employee benefits is based on the valid labor agreement and the employee's salary, which generate the right to severance pay.

Post-employment benefits are usually financed by deposits classified as a defined contribution plan as described below.

Defined contribution plans

The provisions of Section 14 of the Severance Pay Law, 1963 (hereinafter - the “Severance Pay Law”) apply to most of the compensation payments, according to which the Group's routine contributions to the pension fund and/or insurance policies exempt it from any other liability towards the employees for whom the above contributions were made; these contributions and contributions for compensation constitute defined contribution plans.

NOTE 19 - LEASES

A. Movement in right-of-use assets

2023

	Real estate assets (including orchards) (1)	Oil and gas production facilities (2)	Other	Total
	NIS million			
Cost				
Balance as at January 1, 2023	-	371	-	371
Additions during the year	7	211	1	219
Exchange differences on translation of foreign operations	-	8	-	8
Commencement of consolidation (3)	232	-	13	245
Balance as at December 31, 2023	239	590	14	843
Accumulated depreciation				
Balance as at January 1, 2023	-	174	-	174
Depreciation	3	157	2	162
Exchange differences on translation of foreign operations	-	3	-	3
Balance as at December 31, 2023	3	334	2	339
Depreciated cost as at December 31, 2023	236	256	12	504

(1) As at December 31, 2023, including a total of NIS 138 million for orchards leased by Mehadrin from the Israel Land Authority and others. For further information about the lease agreements, see Section C below.

(2) As at December 31, 2023, Ithaca has lease agreements for production facilities in the Rosebank and Captain Reservoirs. The liability for lease payments was discounted at a rate of 6.07%.

(3) For information about the commencement of consolidation of Mehadrin, - see Note 9(a)(3) above.

NOTE 19 - LEASES (cont.)

A. Movement in right-of-use assets (cont.)

2022

	Oil and gas production facilities
	NIS million
Cost	
Balance as at January 1	49
Additions	301
Adjustments from translation of financial statements of foreign operations	21
Balance as at December 31	371
Accumulated depreciation	
Balance as at January 1	37
Depreciation and amortization	126
Adjustments from translation of financial statements of foreign operations	11
Balance as at December 31	174
Amortized cost as at December 31	197

B. Lease liability

	As at December 31	
	2023	2022
	NIS million	
Up to one year - presented under current liabilities	88	147
Between one and five years	51	60
Over five years	21	-
	160	207

C. Mehadrin leases orchards covering a total area of approx. 1,100 hectares, of which 1,081 hectares are leased from the Israel Lands Authority (hereinafter - the “ILA”) and 18.9 hectares are privately owned. Of the agreements, 871.8 hectares are under agreements for 49 years ending in 2002-2023, with the right to extend the lease term for another 49 years, and 209.2 hectares are under agreements for 49 years ending in 2009-2056, without the right to extend the lease term.

Following the Supreme Court ruling of June 2014, according to which, in the additional extension period, the ILA is entitled to renew the lease contracts and add terms and conditions to the lease agreement, specifically to anchor its right to early termination of the lease term (in consideration for agricultural compensation) in the event of rezoning (although the original lease agreements do not include such a clause), after negotiations between Mehadrin and the ILA for renewal of all lease agreements whose first lease term has ended, an agreed wording was reached for signing. The board of directors of Mehadrin approved the wording and authorized the Company's management to sign lease agreements for all the Company's areas. The Group is working to renew the agreements with the ILA for several areas.

In addition, Mehadrin has areas of approx. 69.7 hectares in the area of the El Al junction, with a lease term that ended in 2009, and the Group has no right to extend the agreement. The Group applied to the ILA for new lease agreements under standard terms and conditions. As at the reporting date, the issue is in very advanced stages of approval with the ILA, and the Group is continuing to cultivate the areas and pay annual lease payments to the ILA.

NOTE 20 - PROVISIONS AND OTHER LIABILITIES

	December 31	
	2023	2022
	NIS million	
Costs for obligation to decommission assets (1)	6,625	5,779
Contingent consideration for business combinations (2)	706	554
Contingent consideration (3)	232	217
Others	38	96
	7,601	6,646

(1) The decommissioning liability oil and gas assets is calculated on the basis of the management's estimates for the timing and amount of economic resources required to extinguish the liability, and they may change due to changes in oil and gas prices, the rate and timing of production, and regulatory changes.
Out of the decommissioning liability of as at December 31, 2023, an amount of NIS 6,357 million is for the decommissioning liability oil and gas assets in the North Sea region. The costs related to the decommissioning liability in the North Sea are expected to be paid at different times over the next 40 years. The annual discount rate used in calculating the decommissioning liability of oil and gas assets in the North Sea area as at December 31, 2023 is approx. 4.6% (in 2022 - 4.25%) and the inflation rate is approx. 2% (in 2022 - 2%). Considering the long-term nature of the said liability and the historical inflation rates in the industry, Ithaca's management does not believe that the current inflationary pressures will have a material effect on liabilities in the short term. A 1% increase in the discount rate will lead to a decrease in liability of approx. USD 223 million (approx. NIS 809 million), and a decrease in the discount rate will lead to an increase in liability of approx. USD 188 million (approx. NIS 682 million).

The obligation to decommission assets as at December 31, 2023 includes the obligation to decommission some of the fields, which Ithaca assumed as part of the acquisition of Chevron's assets in 2019. Under the terms of the acquisition agreement, the costs incurred by Ithaca under the liability, net of tax, will be returned in full by Chevron. In view of the above, the Group included the debt balances of Chevron for the obligation under short and long-term receivables, in the amount of USD 195 million (approx. NIS 709 million) (as at December 31, 2022, approx. USD 201 million (approx. NIS 707 million)).

The annual discount rate used in calculating the decommissioning liability for oil and gas assets in Israel and the surrounding area as at December 31, 2023 is 6.9% (in 2022 - 6.7%).

Changes in costs for obligation to decommission assets:

	December 31	
	2023	2022
	NIS million	
Balance as at January 1	5,779	5,501
Additions and change in forecasts	595	(979)
Additions as part of business combinations	-	1,312
Effect of the passage of time	287	182
Payment of expenses for disposal of assets	(383)	(410)
Translation differences	743	725
	7,021	6,331
Less - amounts presented under payables and credit balances	(396)	(552)
Balance as at December 31	6,625	5,779

NOTE 20 - PROVISIONS AND OTHER LIABILITIES (cont.)

(2) The balance as at December 31, 2023 (plus the amount of approx. NIS 369 million recognized under current liabilities) mainly reflects the fair value of contingent considerations recognized under the Marubeni and Siccar Point business combinations (see Note 9A(1) above). The annual discount rate used in calculating the decommissioning liability of oil and gas assets in the North Sea area as at December 31, 2023 is approx. 4.6%. For information on the sensitivity analyses of the value of the contingent considerations, see Note 17A above.

(3) As at December 31, 2023, the balance is for deferred consideration recognized under the Marubeni transaction (see Note 9A1(e) above).

NOTE 21 - CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS

A. Contingent liabilities

There are contingent claims, including motions for certification of class action lawsuits, against the Company and certain investees for significant amounts. The financial statements of the Company or of the relevant Group companies include provisions for the costs that might arise from these claims only if it is more likely than not (meaning a probability of more than 50%) that a liability arising from a past event will be created, and the amount of the liability can be reliably quantified or estimated. The amounts of the provisions are based on the assessment of the relevant Group companies regarding the extent of the risk in each of the claims, other than for some claims which are in the preliminary stage and therefore, the chances of their success cannot be estimated. The estimates of the relevant Group companies regarding the risk are based on the opinion of their legal counsel and on the estimate of the relevant Group companies regarding the reasonable amounts in the settlements that these companies are expected to bear as a result of the settlement proceedings.

Details of the material claims filed against the Group companies are provided below (claims against Group companies that were closed up to the approval date of the financial statements, without material effect on the statements, were not included in this disclosure):

1. Contingent claims to which the Partnership is a party

(1) On February 4, 2019, a claim and a motion for its certification as a class action (hereinafter in this section - the “Motion for Certification”) was filed with the Tel Aviv District Court (Economic Department) by a shareholder of Tamar Petroleum and the Public Representatives Association (hereinafter jointly in this section - the “Applicants”), against Tamar Petroleum, the Partnership, the CEO of the general partner in the Partnership and the Chairman of the Board in Tamar Petroleum at the issuance date, the CEO of Tamar Petroleum, the CFO of Tamar Petroleum, and Leader Issues (1993) Ltd. (hereinafter in this section - the “Respondents”), regarding the issue of Tamar Petroleum shares in July 2017 (hereinafter in this section - the “Issuance”).

According to the Applicants, in brief, the Respondents misled the investors at the time of the Issuance, in relation to the ability of Tamar Petroleum to distribute a dividend to its shareholders, for the period commencing on the date of the Issuance and ended at the end of 2021 (hereinafter in this section - the “Period”), and breached its duties under various laws, including breach of the duty of care of the officers and breach of the Partnership's duty as a shareholder and as the controlling shareholder of Tamar Petroleum prior to the Issuance.
The remedies sought in the approval petition included mainly monetary relief in the amount of at least USD 53 million, which, according to the petitioners, is the difference between the total dividend expected to be paid by Tamar Petroleum for the Period, as set out in the issuance document to institutional investors of July 12, 2017, and the total dividend, which, according to the expert opinion attached to the motion for certification, Tamar Petroleum is expected to distribute for the Period.

NOTE 21 - CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (cont.)

A. Contingent liabilities – (cont.)

1. Contingent claims to which the Partnership is a party (cont.)

(1) (cont.)

On August 13, 2019, the court ordered the Applicants to send the court documents in the case to the Attorney General such that he could notify, by September 15, 2019, whether he wishes to join the proceeding; on February 6, 2020, the Attorney General notified that, at this time, he sees no cause to join the proceeding. On November 1, 2020, the Applicants filed a motion to amend the motion for certification (hereinafter in this section - the “Motion for Amendment”) seeks to add another petitioner that participated in the issuance to the motion for certification, unlike the current petitioners that did not take part in the issue. In addition, the Motion for Amendment seeks to increase the amount of the alleged damage to USD 153 million.
On April 6, 2021, the court accepted the applicants' motion for the amendment to the motion for certification, and ruled that the applicants may file the amended motion for certification in the wording that was filed with the court, and on January 23, 2022, an amended motion for certification of a class action was filed.

On April 23, 2023, the applicants filed a motion for a disclosure of documents order and on July 17, 2023, the court dismissed the motion for disclosure of documents for all respondents, except that regarding Lidor, for which the motion was accepted partially. Furthermore, on August 16, 2023, the court approved an agreed arrangement of hearings between the parties, according to which the examination of witnesses under the motion for certification will take place during February-April 2024. As at the approval date of the financial statements, the case is in the evidentiary stage, which is expected to end in April 2024. The Partnership believes, based on the opinion of its legal counsel, that it is more likely than not that the motion for certification will be dismissed.

(2) On March 12, 2015, the Partnership and Chevron (hereinafter jointly in this section - the “Plaintiffs") filed a claim at the Jerusalem District Court against the State of Israel, represented by the Ministry of Energy (hereinafter in this section - the “Defendant”), which refers mainly to the refund of royalties paid by the Plaintiffs, in excess and under protest, to the Defendant, for revenues arising from gas supply agreements signed between natural gas consumers and the Yam Tethys partners, part of which was supplied from the Tamar project, in which the netting mechanism was intended to maintain a balance of gas quantities at the Tamar project between the partners according to their share. The refund remedy that the state is petitioned to pay amounts to approx. USD 28 million as at December 31, 2023; the share of the Partnership amounts to approx. USD 13 million. Alternatively, the Plaintiffs claim that they are at least entitled to a partial refund, which, as at December 31, 2023, amounts to 19.4 million; the share of the Partnership amounts to approx. USD 9 million. 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. On February 6, 2023, the plaintiffs appealed the judgment with the Supreme Court. On August 13, 2023, the plaintiff filed its response to the appeal and a hearing on the appeal was scheduled for July 15, 2024. The Partnership believes, based on the opinion of its legal counsel, that it is difficult to assess the chances that the Plaintiffs' claims in the appeal will be accepted, further to the judgment that was handed down and since a hearing on the appeal has not yet taken place.

NOTE 21 - CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (cont.)

A. Contingent liabilities – (cont.)

1. Contingent claims to which the Partnership is a party (cont.)

(2) (cont.)

In accordance with the above, in 2022, the Partnership recognized expenses amounting to approx. USD 13.6 million for the period up to the sale of its entire holdings in the Tamar project for the Tamar Project, and approx. USD 1.7 million for the Leviathan Project, which were included in profit and loss. 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 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 bear an additional payment (including interest and linkage) to the royalty holders for gas quantities supplied by the Partnership to customers of the Yam Tethys project, in the amount of approx. USD 6.2 million (of which, an amount of approx. USD 1.8 million for the Group).

(3) On February 27, 2020, the Partnership learned of a class action and motion for its certification (hereinafter in this section - the “Motion for Certification") filed at the Tel Aviv District Court by an electricity consumer (hereinafter in this section - the “Applicant”) against the Partnership and Chevron and against the other holders of the Tamar Project and the Leviathan Project (as litigants against which no remedy is sought), in connection with the competitive process for the supply of natural gas conducted by the IEC and in connection with a possible amendment to the agreement for the supply of gas from the Tamar Project to the IEC (hereinafter in this section - the “Amendment to the Tamar Agreement”), as agreed by the other holders in the Tamar Project, without the involvement of the Partnership and Chevron.

The main arguments of the Applicant are that the bids made by the holders in the Tamar project and in the Leviathan Project in the competitive process amount to abuse of monopolistic power and to a restrictive arrangement, as defined in the Economic Competition Law; the fact that the Partnership and Chevron did not sign the amendment to the Tamar Agreement also amounts to abuse of monopolistic power; the price set in the agreement for the supply of gas from the Leviathan project to the IEC further to the competitive process is an unfair price; and profits generated and to be generated by the Partnership and Chevron, as alleged by the Applicant, have caused and are expected to cause damage to the classes he seeks to represent in the amount of approx. NIS 1.16 billion, according to which the court is petitioned to award compensation and legal fees. The main remedy in the class action approval petition is a ruling by the court that the Partnership and Chevron are not entitled to prevent the other holders in the Tamar project from signing the Amendment to the Tamar Agreement. On February 6, 2024, the court accepted the applicant's motion, with the respondents’ consent, to cancel the evidentiary hearings scheduled for March-April 2024 and new dates have yet to be set.

The Partnership believes, based on the opinion of its legal counsel, that it is more likely than not that the motion for certification will be dismissed.

(4) For information about a claim and motion for its certification as a class action filed with the Economic Department of the Tel Aviv District Court by a person claiming to hold participation units of the Partnership, see Section 2(1) below.

NOTE 21 - CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (cont.)

A. Contingent liabilities – (cont.)

2. Contingent claims to which the Company is a party

(1) On April 23, 2020, a claim and motion for its certification as a class action (hereinafter - the "Motion for Certification") was filed with the Economic Department of the Tel Aviv District Court, by a person claiming to hold participation units of the Partnership (hereinafter - the "Applicant"). The claim and the Motion for Certification were filed against the Partnership, the general partner, the Company, the controlling shareholder in the Company, the board of directors of the general partner in the Partnership (including former and current officers in the company), and the CEO of the general partner in the Partnership (hereinafter - the "**Respondents**").
In the Motion for Certification, it is alleged that the Respondents failed to disclose, in the Partnership's reports, the existence of a term in the agreements for the sale of natural gas from the Leviathan and Tamar Reservoirs to Dolphinus Holdings Limited (hereinafter - the "Sale Agreements" and the "Buyer", respectively) according to which, in a year in which the average daily price of a Brent barrel (as defined in the Sale Agreements) falls below USD 50 per barrel, the Buyer may reduce the minimum annual quantity purchased under the Sale Agreements to 50% of the annual contractual quantity.
According to the Applicant, the alleged non-disclosure in the Partnership's reports establishes grounds for a claim under various sections in the Israel Securities Law, 1968, by virtue of breach of statutory duty, and negligence. The main remedy sought in the Motion for Certification is compensation of the class that Applicant intends to represent for the alleged damage it incurred, which is estimated, based on the opinion attached to the Motion for Certification, in the amount of approx. NIS 55.5 million. In addition, the Applicant petitioned to court to order any other compensation in favor of the class, as the court deems fit under the circumstances.
On December 10, 2023, the applicant filed summations on its behalf. According to the court ruling, the respondents are required to file summations on their behalf by May 7, 2024, and the applicant is required to file response summations on its behalf by June 7, 2024.
The Company believes, based on the opinion of its legal counsel, that it is more likely than not that the motion for certification will be dismissed.

(2) On December 25, 2016, the holders of Avner participation units prior to the merger (hereinafter in this section: the "Petitioners") filed a motion for certification of a class action (hereinafter in this section: the "Motion for Certification") on the grounds that the merger transaction between NewMed Energy and Avner was approved in an unfair process and the consideration paid to the holders of the non-controlling units in Avner, as fixed in the merger agreement, was unfair. The Motion for Certification was filed against Avner Partnership, the general partner in Avner Partnership and members of its board of directors, Delek Group as the controlling shareholder in Avner Partnership (indirectly), and against PricewaterhouseCoopers Consulting Ltd. (hereinafter - "PWC"), as the economic advisor of an independent board committee established by Avner Partnership (hereinafter in this section - the "Respondents").
The Motion for Certification alleges, among other things, that the members of the committee, board of directors of Avner Partnership and companies of the general partner in Avner Partnership, breached the duty of care towards Avner Partnership, and that Avner Partnership acted in a way that discriminated against the non-controlling interests. The plaintiffs estimate that the damage amounts to NIS 320 million.
In 2021, evidentiary hearings were held and in 2022, the parties filed their summations. On May 7, 2023, a judgment was rendered on the motion for certification dismissing the motion. On July 6, 2023, the petitioners filed an appeal against the judgment with the Supreme Court.
On December 27, 2023, PWC filed a counter-appeal against the judgment, which is being conducted within the said appeal, alleging that the District Court erred in not awarding it costs (hereinafter in this section - the "Counter-appeal").

NOTE 21 - CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (cont.)

A. Contingent liabilities – (cont.)

2. Contingent Claims to which the Company Is a Party (cont.)

(2) (cont.)

According to the court ruling, the parties are required to file their responses to the appeal and counter-appeal by April 15, 2024. A hearing in the appeal and counter-appeal was set for January 2, 2025.
The Company believes, based on the opinion of its legal counsel, that it is more likely than not that the motion for certification will be dismissed.

(3) Derivative claim regarding the investment recovery date in the Tamar Project

In January 2019, the supervisors on behalf of the holders of the Partnership's participation units filed a discrimination claim with the Tel Aviv District Court (Economic Department), against the Partnership, the general partner in the Partnership, the Company, Delek Energy, and Tomer Energy Royalties (2012) Ltd. (Delek Group, Delek Energy, and Tomer Energy will be referred to jointly in this section hereinafter as the "Royalty Holders"). Concurrently with filing the claim, a motion was also filed for an interim injunction as described below. The claim was defined as a declaratory claim and a claim for remedy to eliminate discrimination, and in which the court was moved to declare, among other things, that the calculation of the investment recovery date in the Tamar Project should include the payments due by the Partnership to the state in accordance with the Gas and Petroleum Profits Levy under the Taxation of Profits from Natural Resources Law (hereinafter in this section below- the "**Sheshinski Levy**"). The court was further petitioned to declare that the investment recovery date in the Tamar Lease has not yet been achieved and to determine when this date will be achieved; and to declare that the Royalty Holders are required to return the alleged surplus payments to the Partnership.
On February 2019, the Partnership filed a motion for a stay of proceedings in the claim due to the existence of an arbitration clause (hereinafter - the "Motion for a Stay of Proceedings").
In April 2019, a statement of defense and a statement of counter-defense were filed on behalf of the royalty holder. The counterclaim included claims that the investment recovery date should be earlier (in 2015, 2016, or 2017: hereinafter - the "Royalty Holder's Claim"). In the Royalty Holders' Claim, the royalty holders allege, among other things, that in the calculation of the investment recovery date in the Tamar Project, the Partnership included expenses that were attributed to the calculation, including the finance expenses of the Partnership itself, future expenses of an uncertain amount for disposal and removal of facilities, headquarter expenses of the Partnership, and any expense intended for the project stages after the wellhead. According to the Royalty Holders, after deducting these expenses, the investment recovery date in the Tamar Project had already been achieved in August 2015, or alternatively, in 2016 or alternatively again, in 2017. Accordingly, the Royalties Holders petitioned the court to declare which expenses should be included in the calculation of the investment recovery date, and to order the Partnership to re-calculate the investment recovery date accordingly, and the royalties due to the Royalty Holders, and to submit the calculation to the Royalty Holders.
The Royalty Holders further claimed that the investment recovery date should be deliberated in arbitration, and not in court, and that if the Supervisor's claim is sent to arbitration, so should the hearing of the counterclaim; accordingly, several meetings were held.
Another mediation meeting was held on November 8, 2021, in which the parties conducted negotiations to reach an agreement in principle to resolve the disputes; as part of those negotiations, it was agreed to appoint the mediator as an arbitrator.
In 2022-2023, the parties filed update notices with the court regarding the mediation proceeding.

NOTE 21 - CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (cont.)

A. Contingent liabilities – (cont.)

2. Contingent Claims to which the Company Is a Party (cont.)

(3) (cont.)

On December 13, 2023, the parties filed a joint motion to dismiss the proceeding. On December 21, 2023, at the request of the parties the court ordered dismissal of the claim of the supervisors and the counterclaim without any order of expenses due to agreements reached between the parties, according to which, inter alia, the parties approved the original calculation made by the Partnership (subject to certain adjustments). Furthermore, the royalty holder and Partnership confirmed that the principles according to which the investment recovery date in the Tamar project was calculated will apply (with certain adjustment set out under the agreements) also with respect to calculation of the investment recovery date in the Leviathan project.

(4) On August 4, 2019, the Company, Delek Energy, and Tomer Energy Royalties (2012) Ltd. (formerly Delek Royalties (2012) Ltd.) entered into an agreement according to which they agree to mediation proceedings with Tamar Petroleum before former Honorable Justice, Yoram Danziger, and should the mediation fail, the parties agree to appoint the former Justice to act as a single arbitrator in the arbitration proceedings between them. When signing the agreement, the Company signed a memorandum of undertaking, according to which, if the arbitrator rules that Delek Royalties or any party in its place, is required to refund royalties that were paid to it in excess due to the exclusion of the Sheshinski Levy in the calculation of the investment recovery date, the Company will cover this payment within 14 days of the date of the judgment. On September 22, 2019, a preliminary mediation meeting was held, in which it was decided that each of the parties will meet separately with the mediator to present their principal claims. According to Tamar Petroleum, the Sheshinski Levy should be included in the calculation of the investment recovery date, which will postpone the investment recovery date. On the other hand, the royalty holders claim that this calculation cannot include a series of expenses that have been "loaded" into the calculation, and in particular, the Sheshinski Levy cannot be included. The mediation is ongoing and at this stage, the parties are meeting separately and together with the mediator. The Company believes, based on the option of its legal counsel, taking into consideration the preliminary stage of the mediation, that if the claim of Tamar Petroleum regarding the Sheshinski Levy is the same as the claim of the Supervisors in this matter, as set out in Section 3 above, in view of the professional opinion submitted to the Company, it is more likely than not that Tamar Petroleum’s claim against the Company will be dismissed.

(5) On April 16, 2020, a motion was filed with the Tel Aviv-Jaffa District Court (Economic Department) for certification of a class action against the Company, all members of the Company's board of directors, and the Company’s present and former CEO (hereinafter in this section - the “**Respondents**”).
According to the motion, the applicant’s main allegation is that the Respondents failed (allegedly) to disclose to the investors material information about the collateral and liens and about the rights that the loan agreements conferred on the lenders, and in particular, regarding their repayment, including the immediate repayment.
On November 15, 2022, the court certified the class action against the Company and its officers other than the former CEO of the Company. The court ruled that at this stage of the hearing, the applicant has complied with the burden imposed on it to prove the existence of any alleged harm to the members of the class, according to the accepted burden of proof at the motion to certify class actions stage, which is lower than the burden applicable in the investigation of the claim on its merits. 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).

NOTE 21 - CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (cont.)

A. Contingent liabilities – (cont.)

2. Contingent Claims to which the Company Is a Party (cont.)

(5) (cont.)

On January 1, 2023, the applicant filed a motion to extend the time to file an amended statement of claim. Delek Group objected and sought to dismiss the motion in limine since the deadline for the amendment of the statement of claim has passed. On January 3, 2023, the court ordered the parties to examine the possibility of making agreed amendments, but the parties failed to reach agreement. On March 12, 2023, the applicant filed a motion to amend the statement of claim. On March 30, 2023, Delek Group filed a response to the motion objecting to the applicant's extensive amendments. On June 8, 2023, hearing was held on the motion to amend the statement of claim; in the hearing, the court expressed its opinion that there is no real need to amend the statement of claim, but it was decided that, at this stage, a decision will not be given on the motion to amend the statement of claim, due to examination of ending the proceeding in alternative ways. Following the court's comments regarding ending the proceeding in an alternative way, the parties agreed to seek mediation before Prof. Sharon Hannes (hereinafter - the "Mediator"). The mediation was held before the Mediator over several months, and the mediation negotiations have not yet been exhausted.

(6) On May 18, 2020, the Company received a motion for certification of a class action that was filed at the Tel Aviv-Jaffa District Court (Economic Department). The motion is directed at the Company, the members of the Company's board of directors, CEO, Deputy CEO, and CFO at the relevant date. As arises from the motion, the applicant's principal allegations refer to misleading information and (alleged) non-disclosure of material details about the Company's affairs and its financial position in connection with the cash flow forecast published by the Company on March 8, 2020. The applicant claims that the damage incurred by him and the class he seeks to represent is the difference in the price of securities between their purchase price and their selling price or the price at which they will be sold and the damage was estimated at approx. NIS 80 million for all members of the class. According to the applicant of the motion, the damage for each class member will be calculated according to the actual figures for which details will be requested as part of the proceedings.
On December 13, 2020, the Respondents filed their response, dismissing the claims of the applicants and claimed that the Motion for Certification should be dismissed in limine. On March 17, 2021, the applicant filed his response to the motion to certify. A pretrial was held on April 25 2021, following which the applicants filed - on July 20 2021 - a motion to amend the Approval Petition. The Court allowed the motion, and on October 14 2021 an amended motion for certification of a class action was filed. The Company filed its response to the amended certification motion, as well as a motion to dismiss the proceeding in limine, and alternatively a motion for stay of proceeding. Further to the above, the Applicant filed its response to the motion to dismiss the proceeding in limine; the Company responded to the Applicant's response; and according to permission obtained from the Court, the Applicant responded to the Company's response.
On September 18, 2022, the court dismissed the Company's motion to dismiss the proceeding in limine, but ordered a stay of proceedings before it due to proceedings being conducted in Class Action 13382-04-20, as specified in section (5) above. The court ruled that the respondents may petition for renewal of the proceedings later. On November 16, 2022, the Company informed the court that in the covenant case, the motion for certification of a class action was certified and on November 22, 2022, the court ruled that the applicant can file a motion for a ruling in the covenant case as evidence in the case and the respondents can respond to this. The applicant did not file a motion on the matter.

NOTE 21 - CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (cont.)

A. Contingent liabilities – (cont.)

2. Contingent Claims to which the Company Is a Party (cont.)

(6) (cont.)

On January 26, 2023, the applicant filed a motion for discovery and viewing of documents. On March 14, 2023, the respondents responded to the motion, and on March 16, 2023, the applicant filed a response on its behalf to the respondents' response. 36. On April 20, 2023, a pretrial hearing was held, in which the motion for disclosure of documents was discussed. In the hearing, the court recommended that the applicant withdraws its motion. Several days later, the applicant announced that it accepts the court's recommendation. On January 18, 2024 and March 6 and 11, 2024, evidentiary hearings were held in the proceeding.
The Company believes, based on the opinion of its legal counsel, that it is more likely than not that the claim will be dismissed.

(7) On September 21, 2020, a motion was filed for certification of a claim as a derivative claim in the name of the Delek Foundation for Science, Education, and Culture Ltd. (hereinafter - the "Delek Foundation"), which is a wholly owned subsidiary of the Company. The motion was filed at the Central-Lod District Court and the respondents are the Delek Foundation, the Company, the controlling shareholder in the Company - Mr. Yitzhak Sharon Tshuva, the Company's Chairman of the Board - Mr. Gabi Last, and a number of employees and officers in the Company, present and past, who held various positions in the Delek Foundation. The claim refers to the distribution of donations from the funds of the Delek Foundation, which, according to the applicant, were allegedly made contrary to the objectives of the Delek Foundation and without obtaining the approvals required in the Companies Law for transactions with interested parties. As a result, the court was moved to order, inter alia, the respondents (other than the Delek Foundation and the Company) to return to the Delek Foundation or compensate it for all donations made to the Western Wall Heritage Foundation in the period of 7 years preceding the date of the motion, which the applicant claimed were made contrary to the objectives of the Delek Foundation. On April 6, 2021, the Respondents filed their response to the motion, whereby, among other things, the motion should be dismissed in limine for the reasons listed in the statement of response, that the claim whereby the donation to The Western Wall Heritage Foundation contradicts the objectives of Delek Foundation is unfounded, and so is the claim that this donation constitutes an "interested party transaction". On June 24 2021, the Applicant filed its reply to the Respondents' response. On October 25, 2021, a pre-trial hearing was held. On July 18, 2022 and July 19, 2022, examination hearings were held in the case in which the affiants on behalf of the parties were examined. On September 12, 2023, the applicant's summations were filed and on February 15, 2024, the Company's summations were filed. On February 23, 2024, the court ruled that the motion is being transferred for rendering of a ruling. On March 5, 2024, the applicant filed a motion to file response summations, and at this stage, the respondents are required to file their response by March 28, 2024.
To complete the picture, it should be added that the Delek Foundation filed to the Tel Aviv District Court a motion pursuant to Section 345F to the Companies Law, 1999, to ratify donations it previously donated to The Western Wall Heritage Foundation. On July 15, 2022, a ruling was handed down dismissing the Motion. On October 26, 2022, the Delek Foundation filed an appeal against the judgment with the Supreme Court. It should be noted that Mr. Amotz Horev (the applicant in the proceeding held before the Central District Court) filed a motion to join as a party to this proceeding, and with consent filed his position.A pretrial hearing was scheduled for April 15, 2024.
The Company believes, based on the opinion of its legal counsel, that the Company has appropriate defense arguments against the motion; however, it is clarified that in any case, even if the motion is accepted and the derivative action is filed, the derivative action does not create exposure to the Company itself.

NOTE 21 - CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (cont.)

A. Contingent liabilities – (cont.)

2. Contingent Claims to which the Company Is a Party (cont.)

(8) On November 27, 2023, a motion was filed against the Company by a Company shareholder (hereinafter, in this section: the "Movant"), pursuant to Section 198A of the Companies Law, to issue an order for discovery and review of documents prior to bringing a derivative claim against the Company CEO and the members of the Company's Board of Directors (including the Compensation Committee members) (hereinafter - the "Discovery Motion"). In the Discovery Motion, it is alleged in the abstract that the special bonus approved for the Company CEO by the Compensation Committee and board of directors in May 2022, by "overruling" and in contradiction to the decision of the Company's general meeting, was approved illegally. Note that near the date of filing the Discovery Motion, the Movant submitted a notice to the court on additional motions for discovery and review of the documents prior to filing a derivative claim filed by him or his counsels, based, according to him, on a "similar set of facts," against other respondents.

3. Additional claims

(1) Contingent claim to which Ithaca is a party
On May 26, 2015, a class action lawsuit was filed against Ithaca at the High Court of Justice in Alberta, Canada, by an investor who alleges that Ithaca published information that constitutes a false representation, regarding the expected timetable for completion of the installation of the floating production facility (FPF-1) in the GSA project. According to Ithaca, the claims of the class action lawsuit have no grounds.On March 7, 2019, a preliminary hearing was held on the motion. On June 24, 2019, a ruling was handed down certifying the motion for a certification of a class action, but because the plaintiff did not present evidence that Ithaca was acting unreasonably regarding the immediate report published on August 12, 2014. The period to which the class action refers, the period was shortened from October 7, 2014 to February 25, 2015. In December 2019, Ithaca filed the statements of claim of Ithaca and the CEO, and the parties agreed on a discovery protocol. The claim has gone to a mediation proceeding which will begin in October 2024, and the actual claim is expected to be discussed by the court only in 2025. Ithaca has insurance cover for this claim, which it believes is sufficient to cover its liability, if the claim is accepted. At this stage, Ithaca believes, based on the opinion of its legal counsel, that it is not possible to estimate the chances of the claim and the financial exposure arising from the claim, and therefore Ithaca did not include a provision for this claim in the financial statements.

(2) On April 27, 2020, the Company received a motion for certification of a class action that was filed at the Haifa District Court against a subsidiary of the Company, another company that purchased the land in trust for the subsidiary, and the directors of these companies, two of which are senior officers in the Company (hereinafter - the "Applicants").
The motion was filed by Zalul Environmental Association and two private applicants. According to the Applicants, the respondents, jointly and severally, are liable for compensation to the general public in Israel (which falls within the definition of the "Class" as defined in the application and described below) for their alleged liability for pollution of groundwater and the marine environment, due to the existence of hazardous and polluting materials in the area purchased by the subsidiary in 2011 and which is south of Acre, at the site where Electrochemical Industries operated (hereinafter - the "**Site**"). According to the Applicants, these materials are continuing to pollute the soil at the Site while spilling over into the environment, damaging the groundwater, seawater, and nature.
According to the Applicants, when the subsidiary acquired ownership of the Site, it assumed the liability for damage caused due to materials that remained at the Site since its acquisition, and these materials continued to leak or spill over in the period since control was transferred. The Applicants further claim that when the subsidiary acquired ownership of the Site, it assumed the responsibility for action to prevent the continuation of pollution and to clean the land.

NOTE 21 - CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (cont.)

A. Contingent liabilities – (cont.)

3. Additional claims (cont.)

(2) (cont.)

The represented class is defined in the motion as any residents and citizens of Israel who use the services of Acre's coastal environment, or any other class as the court may determine. At this time, there is no way to estimate the size of the class underlying the level of compensation that the applicants claim is payable by the respondents to each of the class members. The motion stipulates an amount of “at least NIS 2.5 million” as compensation for the alleged damage that the applicants claim was incurred by the class due to the continuation of pollution in the period when the Site was under the control of the subsidiary. In addition, the applicants request that the court order the respondents to pay of all the restoration expenses, which they estimate at hundreds of millions of shekels, as well as the environmental damage that they claim that the respondents must pay to the public for compensation.
Some of the compensation components were not included in the motion, therefore the exact amount of the claim is unknown.
In addition, the claim includes a motion for an injunction directed to the respondents and requiring them to take steps to prevent the pollution, including preparation of a plan to control pollution. The motion does not specify the actions required under these remedies, and their cost cannot be estimated.

On November 22, 2020, the Respondents filed their response to the motion, claiming that the motion should be dismissed in limine or alternatively dismissed on its merits, as it does not have factual or legal grounds. On February 28, 2021, the Applicants responded to the Respondents’ response and to the dismissal motion on their behalf, and also attached to their response a supplementary opinion by the expert acting on their behalf, and an opinion on behalf of another economic expert, that was not included in the Approval Petition itself. The Respondents filed a motion to strike out the statement of response to the response (”the motion to strike out”), for the reason that this statement of pleading deviated from what is permissible as part of the proceeding. On March 22, 2021 they also filed a response to the motion to dismiss the motion in limine with respect to the Respondents who are private individuals, claiming, among other things, that there is no cause of action against them. The first pre-trial hearing was held on April 13, 2021; during that hearing it was decided that the statement of response to the response will not be struck out; rather, it was decided that the Respondents will be allowed to respond to it, and, accordingly, the Respondents filed such a response, together with supplementary opinions on behalf of their experts.Further to the above, the applicants filed a motion to join Tidhar as a party to the proceeding. The Company objected to this motion. A further pre-trial hearing in the case was set, and the Court also referred its ruling to the Attorney General, and instructed his representative to file a position on behalf of the Attorney General. On May 22, 2022, the Attorney General’s position was filed stating, among other things, that due to the definition of the class of plaintiffs, the type of damage claimed and due to the state’s position in principle, there is real doubt regarding the applicant’s status and ability to claim compensation for all Israeli residents and citizens.In 2022, there were two further pre-trial hearing in which, among other things, the question of adding Tidhar to the proceeding was discussed and the parties expressed their position regarding the possibility of referral to arbitration. On December 28, 2022, the applicants filed another motion to join Tidhar to the proceeding, to which both Tidhar and the respondents objected, and Tidhar filed a motion for dismissal in limine of the motion to join. On January 3, 2023, the respondents notified the court that an agreement has not yet been reached regarding referral to arbitration.
The Company believes, based on the opinion of its legal counsel, that at this preliminary stage, it is not possible to assess the likelihood that the motion will be accepted against any of the Respondents and therefore it is not possible to assess the financial exposure to the Respondents in general and the Company in particular, in respect of the motion.

NOTE 21 - CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (cont.)

A. Contingent liabilities – (cont.)

3. Additional claims (cont.)

(3) In July 2019, the Citizens for the Environment Association (hereinafter - "CFE") filed a claim and motion for certification of a class action with the Jerusalem District Court against 29 plants and companies operating in Haifa Bay, including against the former wholly-owned subsidiary of the Group, Gadot Biochemical Industries Ltd. (hereinafter - "Gadot") (hereinafter collectively - "the Respondents"). All of Gadot's holdings and assets were sold in 2018, but the Company is responsible for certain past land-related matters related. The applicant seeks to represent all parties that have stayed in Haifa for more than two years during their lifetime, and who were diagnosed with a certain type of cancer in the seven years preceding the filing date of the motion, alleging that the Respondents' activities caused air pollution in Haifa Bay, which is the cause for the said excess cancer morbidity. For the first time in Israel, this proceeding seeks to approve a class action as a mass tort. At the Respondents' request, the hearing on the motion to certify was transferred to the Haifa District Court. A motion to dismiss the claim in limine was dismissed and preliminary proceedings were held, including disclosure of documents and questionnaire proceedings, with all Respondents. Simultaneously, a motion was filed on behalf of Gadot, together with most of the Respondents, to add the state and the Association of Haifa Bay Cities as third parties to the proceeding. The court gave the validity of a decision to the state's proposal that the motion to add it as a third party should not be heard at this stage, but only after the motion for certification is approved, if at all. Until a decision is made on the motion to certify, the state will be allowed to serve as a litigant on the matter of adding evidence, examining witnesses, and more, but it is not obligated to hold preliminary proceedings, such as disclosure of documents. After completion of the preliminary proceedings, in February 2023, continuous evidentiary hearings were held in respect of all Respondents, which were completed in July 2023. At the end of the evidentiary hearings, summations were set for the case. The summations are also supposed to address the Partnership's questions all Respondents as well and allegations directed against each and every Respondent.
The case is in the summation stage (that also includes the state's comments and responses of the Respondents to the state's comments).

In the Company's estimation, based on its legal counsel, given the precedential questions arising in this proceeding, including the possibility of claiming compensation for physical injury in a class action, it is impossible at this stage to assess the chances of the motion to certify and the actual class action; due to the aforesaid, no provision has been included in the financial statements in respect of the claim.

B. Guarantees

(1) As at December 31, 2023, there are guarantees for agreements with third parties amounting to approx. NIS 39 million. It should be noted that subsequent to the balance sheet date, the guarantee of approx. NIS 30 million was cancelled.
(2) The Company signed an unlimited performance guarantee in favor of the Republic of Cyprus to secure full implementation of all undertakings of the Partnership. See also Note 11D above.
(3) As part of the Partnership's activities in the Leviathan Project and in the Yam Tethys project, it provided the Israel Tax Authority (Customs) with a self-guarantee in the amount of approx. NIS 67.6 million and approx. NIS 57.7 million, respectively.
(4) As to guarantees provided by the Partnership to secure the Transmission Agreement regarding export of gas to Egypt, see Note 11K2 above.
(5) As at the approval date of the financial statements, the Partnership provided guarantees amounting to approx. USD 54.5 million to the Ministry of Energy in connection with its interests in the oil and gas assets. See Note 11J(1) above.

NOTE 21 - CONTINGENT LIABILITIES, GUARANTEES AND COMMITMENTS (cont.)

B. Guarantees (cont.)

(6) Ithaca granted documentary letters of credit and guarantees to secure its decommissioning liability of assets and deferred payments. As at December 31, 2023, the balance of the guarantees and documentary letters of credit amounted to approx. USD 450 million (2022, approx. USD 469 million).

C. Agreements

Material agreements by the Group companies:

(1) For information about natural gas and condensate supply agreements in the Tamar Project and Leviathan Project, see Note 11H.

(2) As at December 31, 2023, Ithaca has commitments for investments in the development of oil and gas assets amounting to approx. USD 507 million (approx. NIS 1,839 million), mainly for development of the Rosebank Reservoir, regarding which a final investment decision was made in September 2023. Furthermore, the amount includes bills approved in connection with the Captain reservoir.

D. Indemnification and insurance of officers

(1) The Group has undertaken to indemnify all entitled officers of the Group for any action taken in virtue of their service as officers in the Group in the past, present and future. The indemnity undertaking is restricted to the types of events, terms and conditions and amounts outlined in the indemnity undertaking approved by the general meeting of shareholders.

(2) The Group has decided to exempt officers of the Group from their liability under the duty of care toward the Group pursuant to Chapter three, Part six of the Companies Law, 1999.

(3) On June 29, 2023, the Company's Compensation Committee approved renewal of the officers; executive insurance policy as from July 1, 2023 until June 30, 2024 with liability limit of USD 60 million per claim and cumulatively, plus reasonable legal fees, at an annual premium of approx. USD 1.59 million and deductible of up to USD 500 thousand per claim for the Company.

NOTE 22 - LIENS

A. To secure the debentures and loans from others of the Company and consolidated companies and partnerships, collateral was provided as follows:

- The Company and its consolidated companies recorded fixed and floating liens on their non-current and current assets, including inventories, specific deposits, the right to trade receivables, certain oil and gas assets, the right to receive overriding royalties, specific liens on Ithaca shares and on participation units of NewMed Energy and mortgages on all the companies' rights in properties for which credit was granted.
- The Company and consolidated companies have undertaken to meet certain conditions, including to refrain from recording a lien in favor of others without the prior agreement of the lending corporations.

B. As at December 31, 2023, 553,167,930 participation units of the Partnership, which constitute approx. 47.13% of the Partnership's issued participation unit capital as well as approx. 431,790,833 Ithaca shares, which constitute approx. 42.57% of Ithaca's issued share capital, have been pledged in favor of debenture holders and a foreign bank. Subsequent to the balance sheet date, in January 2024, as part of the expansion of Debentures (Series B38) of the Group (as stated in Note 16), a further 12,830,536 participation units of the Partnership were pledged. For further information about the debentures and loan from a foreign bank, including the financial covenants in respect of these liabilities, see Note 15 and Note 16.

NOTE 22 - LIENS (cont.)

C. For information about pledged deposits at December 31, 2023, see Notes 4 and 8.

D. For information about liens on the Group's interests in the Leviathan Project in connection with issue of debentures and a loan by SPCs, see Notes 16E(2) and 15E(3).

E. For information regarding liens on part of Ithaca's assets under a reserve-based credit facility agreement, see Note 15D(1).

NOTE 23 - EQUITY

A. Composition of share capital

	As at December 31, 2023		As at December 31, 2022	
	Authorized	Issued and paid up	Authorized	Issued and paid up
	No. of shares			
Ordinary shares of NIS 1 p.v. each	26,000,000	18,507,711	26,000,000	18,362,191
Preferred shares	2,000,000	-	2,000,000	-

The shares are listed on the TASE.

B. Changes in equity in 2023 and 2022

In 2022, 17,864 Options (Series 11), 9,720 Options (Series 12), and 47,114 Options (Series 13) were exercised for 74,698 shares of NIS 1 par value each for a consideration of approx. NIS 18 million. 152 Options (Series 13) expired.

In 2023, 480,894 Options (Series 11), 250,072 Options (Series 12), and 976 Options (Series 14) were exercised for 731,942 shares of NIS 1 par value each for a consideration of approx. NIS 103 million.
As at December 31, 2023, there are 81,284 options in circulation; each option is exercisable for one ordinary share of the Company, at an exercise price of approx. NIS 289 per option; additionally, Options 14 expire on April 14, 2024.

Subsequent to the balance sheet date until immediately prior to the financial statements' approval date, a total of 549 Options (Series 14) were exercised into 665 shares of NIS 1 par value each in the Company, for a total consideration amount that is negligible; after the exercise and cancellation of the treasury shares, as specified in Section C below, the Company's issued and paid-up share capital is 18,508,376 shares of NIS 1 par value each. Balance of options in circulation: 80,619 Options (Series 14).

C. Treasury shares

As at December 31, 2022, a wholly-owned subsidiary partnership, Delek Financial Investments - Limited Partnership (hereinafter - the "Subsidiary Partnership") held 586,422 shares of NIS 1 par value of the Company. On February 20, 2023, the subsidiary partnership transferred the shares to the Company, and the shares were canceled.

D. Dividend

On February 20, 2023, the Company's Board of Directors decided to distribute a dividend to the shareholders in the amount of NIS 450 million (NIS 25.1857 per share). The dividend was paid in March 2023.

On May 30, 2023, the Company's Board of Directors decided to distribute a dividend to the shareholders in the amount of NIS 200 million (NIS 10.8744 per share). The dividend was paid in June 2023.

NOTE 23 - EQUITY (cont.)

D. Dividend (cont.)

On August 22, 2023, the Company's Board of Directors decided to distribute a dividend to the shareholders in the amount of NIS 200 million (NIS 10.8069 per share). The dividend was paid in September 2023.

On November 21, 2023, the Company's Board of Directors decided to distribute a dividend to the shareholders in the amount of NIS 250 million (NIS 13.508 per share). The dividend was paid in December 2023.

Subsequent to the balance sheet date, on March 26, 2024, the Company's Board of Directors decided to distribute a dividend to the shareholders of NIS 250 million. The dividend will be paid in April 2024.

NOTE 24 - COST OF REVENUES

	For the year ended December 31		
	2023	2022	2021
	NIS million		
Depreciation, depletion and amortization	2,939	2,396	1,649
Production cost of gas and oil sold	2,700	2,799	2,015
Cost of sales of agricultural produce	276	-	-
	5,915	5,195	3,664

NOTE 25 - GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended December 31		
	2023	2022	2021
	NIS million		
Salary and incidentals	73	68	62
Cost of share-based payment	24	52	-
Depreciation and amortization	4	2	1
Professional services	85	97	36
Others	85	38	45
	271	257	144

NOTE 26 - OTHER INCOME (EXPENSES), NET

	For the year ended December 31		
	2023	2022	2021
	NIS million		
(Provision for impairment) reversal of the provision for impairment of oil and gas assets, net *)	(1,220)	(447)	802
Exploration and evaluation expenses	(49)	(60)	-
Revenue from implementation of the claim in respect of the acquisition of assets in the North Sea	185	-	-
Profit (loss) from disposal of oil and gas assets **)	-	-	(517)
Gain from a bargain purchase ***)	124	4,445	-
Listing expenses for shares of a subsidiary	-	(70)	-
Costs of business combinations	-	(92)	-
Revaluation of investment property	13	6	88
Other income (expenses), net	(25)	77	48
	(972)	3,859	421

*) For more information, see Note 11L.

**) The loss in 2021 includes an update of the sale price of the Tamar Reservoir before the completion of the transaction totaling approx. NIS 410 million.

***) See Notes 9(a)(3) and 9A(1).

NOTE 27 - FINANCE INCOME AND EXPENSES

	For the year ended December 31		
	2023	2022	2021
	NIS million		
A. Finance income			
Investment income	123	34	3
Revaluation of amounts receivable from an associate	28	10	7
Derivative financial instruments, net	163	20	-
Contingent and deferred consideration for business combinations	273	-	-
Revaluation of royalties receivable and loans provided for the sale of oil and gas assets	-	208	113
Other, including exchange rate differences and linkage	34	26	15
	621	298	138
B. Finance expenses			
Finance expenses for credit from banks, debentures and others*)	1,381	1,324	1,583
Net change in the fair value of financial assets at fair value through profit or loss	3	1	16
Derivative financial instruments, net	-	-	28
Contingent and deferred consideration for business combinations	279	-	-
Change in liability for retirement and lease	304	182	123
Other, including exchange rate differences and linkage	46	76	48
	2,013	1,583	1,798

*) Net of finance costs discounted in the reporting period to qualifying assets in the amount of approx. NIS 20 million (2022 - approx. NIS 23 million, 2021 - none).

NOTE 28 - INCOME TAXES AND GAS AND PETROLEUM PROFITS LEVY

A. Laws and tax rates applicable to the Group companies

1) Group companies and consolidated partnerships in Israel

(a) The rate of corporate tax in Israel in 2021, 2022 and 2023 is 23%.

(b) In September 2021, an amendment to the Income Tax Regulations was published in the Official Gazette, according to which, as from the 2022 tax year, the tax regime applicable to the Partnership will be amended, such that it will be taxed as a company for its taxable income (with deductible losses permitted for the Partnership itself, subject to the tax laws, without attribution to holders of the participation units). Following this amendment, as from the 2022 tax year, the holders of participation units are subject to a tax regime with respect to profit distribution by the Partnership, in the same way as the taxation applicable to shareholders in the Company for distribution of dividends (the two-stage method).
Up to December 31, 2021, the Partnership operated as a "transparent" entity for tax purposes, in accordance with the provisions of the Income Tax Ordinance (New Version), 1961 (hereinafter - the "Income Tax Ordinance") and the Taxation of Profits from Natural Resources Law, 2011 (hereinafter - the "Law"), in other words, the Partnership’s taxable income and losses for tax purposes were attributed to the holders of the units. Accordingly, in the Group's Consolidated Financial Statements up to and including 2021, current taxes were only included for the Group's share in the Partnership’s results. From 2022, following the amendment to the regulations, current taxes are calculated at the Partnership level, and therefore also include the part attributable to holders of non-controlling interests.
In addition, up to and including 2021, the consolidated financial statements did not include deferred taxes for the part of the holders of non-controlling interests for temporary differences arising in the Partnership (mainly for the differences between depreciation and amortization on oil and gas assets decommissioning liabilities).
Following the amendment to the regulations, the liability for deferred taxes increased by approx. NIS 306 million against tax expenses in the statement of income for the non-controlling share in the temporary differences arising in the Partnership as at December 31, 2021, as set out above, and for the Company's share in the temporary differences, for which deferred taxes were not recognized in the past.
It is noted that according to a ruling dated June 28, 2021, regarding application of the provision of Section 19 to said law for tax payments with respect to assessment differences paid by the Partnership for the tax years 2015 and 2016, the Partnership is required to pay corporate holders balancing payments in accordance with the “out-of-pocket adjustment” alternative described in the judgment, meaning, payment of the “surplus” amount paid for the individual holders, whose applicable tax rate is higher.
On July 1, 2021, several holders filed a clarification application with the court, in which the court was moved to order how the payment should be made according to the “out-of-pocket adjustment” alternative set out in the judgment for payment of interest and linkage, and on August 9, 2021, the court ruled that lawful interest and linkage differences will be added to such payment, in accordance with the provisions of the Adjudication of Interest and Linkage Law, 1961.
Accordingly, on July 21, 2022, the Partnership transferred to the account of Reznick Paz Nevo Trusts Ltd., that was appointed by the court as the trustee in charge of making the payment under the plan set by the court for payment to the eligible holders who are an association of individuals in each of the years 2015-2016, an amount of approx. NIS 39.7 million (approx. USD 11.4 million) including linkage and interest. In September 2023, the distribution was made by the trustee and the Group received an amount of approx. NIS 29 million.

NOTE 28 - INCOME TAXES AND GAS AND PETROLEUM PROFITS LEVY (cont.)

A. Laws and tax rates applicable to the Group companies (cont.)

2) Group companies abroad

(a) Ithaca is subject to UK tax laws, which include corporate income tax, supplementary charge, Energy Profit Levy (EPL) and petroleum revenue tax. As at December 31, 2023, the corporate tax rate applicable to oil and gas companies in the UK was 30%, the supplementary charge was 10%, and the petroleum revenue tax, applicable to certain oil and gas fields, was 0%. For the purpose of calculating the supplementary charge, Ithaca is entitled to an investment allowance of 62.5% of the equity investments defined in the law. In addition, Ithaca is entitled to an additional tax benefit that allows, subject to the conditions defined in the law, an increase in oil and gas carryforward losses at a rate of 10% per year (for a limited period defined in the law) for offsetting against oil and gas revenues in the future (ring fence expenditure supplement).

(b) In July 2022, legislation was passed, according to which oil and gas companies operating in the North Sea will be charged an additional levy, an energy profit levy (EPL) at the rate of 25% of their profits (in addition to the tax of 40% charged so far) for a limited period starting on May 26, 2022 and ending on December 31, 2025. In November 2022, the UK government published an update according to which, among other things, the additional levy will be adjusted 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, such that the rate of effective tax rate applicable to oil and gas companies in the levy period rose to 75%. Against the new levy, the companies will be permitted to deduct 29% of their permitted investments in development of gas and oil assets. Carryforward losses may not be offset against the levy. Accordingly, in the second half 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 totaling approx. USD 766 million (approx. NIS 2.7 million) against an increase of deferred tax expenses in the same amount.

Subsequent to the balance sheet date, on March 6, 2024, the UK Government announced that the validity of the EPL will be extended for another year, until December 31, 2029. Had the said amendment become effective on December 31, 2023, the deferred tax liability would have increased by approx. USD 112 million (approx. NIS 406 million).

(c) On June 20, 2023, the UK finalized the legislation of a law adopting the OECD-BEPS Pillar-2 international tax reform. The law adopts the recommendations of the reform, according to which multinational companies will pay global tax at a minimum effective rate of 15%. The law will apply to reporting periods starting after December 31, 2023. It should be noted that a similar law has not yet been adopted in Israel.

Ithaca believes that the entry into effect of the law will not have a material effect on payment of the tax, since the Group companies operate in an environment where the tax rate is higher than 15%.

NOTE 28 - INCOME TAXES AND GAS AND PETROLEUM PROFITS LEVY (cont.)

B. Tax assessments

1) The Company and Delek Energy have final tax assessments up to and including 2018. The majority of the other consolidated companies in Israel have tax assessments that are considered final up to and including the 2018 tax year.

2) As set out in Section A(1)(b) above, up to and including 2021, the results of the Partnership were taxed by the unit holders, based on tax certificates published by the Partnership. The tax returns of the Company and Delek Energy for 2016 to 2020 were prepared on the basis of the temporary tax certificates of NewMed Energy, and a tax certificate for 2021 has not yet been published.
In that context, it should be noted that in view of the disputes between the Partnership and the Israel Tax Authority, and the disagreements as to the amount of the partnership's taxable income in 2016 to 2018. The disputes are mainly about the interpretation of how to recognize finance expenses and other expenses incurred in effect by the Partnership. As of the approval date of the financial statements, according to the Tax Assessments and ordinances received, and if all the claims of the Israel Tax Authority are accepted, the Partnership will be required to make an additional tax payment (including interest and linkage differences) at the expense of the holders of the Partnership's participation units in said years, in the amount of approx. USD 163 million (the Group's share - approx. NIS 89 million). The Partnership filed reasoned objections to the tax assessments.
As at the approval date of the financial statements, discussions between the Partnership and the Assessing Officer for the assessments for the 2016-2018 tax years are ongoing and are expected to continue.
In the opinion of the Partnership, based on the opinion of its professional advisors, the chances that the key claims of the Partnership will be allowed, and at the very least, allowing the deduction of the expenses, which are the subject matter of the disputes, in the 2016-2018 tax years during these years or in subsequent years are higher than 50%.

The tax issues (including application of the Taxation of Profits and Natural Resources Law, as set out in Section H below), related to the Partnership's operations, have yet to be litigated in Israeli courts and it is difficult to predict or determine how the courts will rule on such issues, if and when they are brought before them. Furthermore, for some of the legal issues, it is difficult to anticipate the position of the Israel Tax Authority. Since the operations of the Partnership are subject to special taxes that include tax benefits, changes that may result due to an amendment to the law, a ruling or a change in the position of the Israel Tax Authority, as set out above, could have material implications on the tax applicable to the Partnership.

C. Carry-forward losses for which deferred taxes were not created

As at December 31, 2023, the Company has carry-forward tax losses amounting to approx. NIS 2 billion (of which approx. NIS 1.2 billion are capital losses). No deferred tax assets were recognized for these losses, due to the uncertainty regarding future taxable income.

Ithaca has carryforward losses that are not from oil and gas operations amounting to USD 251 million, which can be used against revenues that are also not from oil and gas operations. No deferred taxes assets were created for these losses due to the uncertainty regarding the ability to utilize them in the future.

As at December 31, 2023, Ithaca has deferred tax assets for carryforward losses and for tax on oil revenues in a total amount of approx. USD 628 million (approx. NIS 2,278 million). The ability to utilize Ithaca's deferred tax assets is supported by Ithaca's forecasts for future profits, whereby the assumptions used in creating the forecast are the same as those used to assess the recoverable amount of the oil and gas assets, as set out in Note 11L(5) above.

NOTE 28 - INCOME TAXES AND GAS AND PETROLEUM PROFITS LEVY (cont.)

D. Deferred taxes

Composition:

	Balance sheet		Income statement		
	As at December 31		For the year ended December 31		
	2023	2022	2023	2022	2021
	NIS million				
Financial instruments presented at fair value	(415)	33	(111)	38	157
Oil and gas assets	(8,831)	(9,475)	(908)	2,064	86
Carryforward losses for tax purposes	6,413	6,942	796	1,328	705
Liabilities for disposal of assets	2,619	2,352	(198)	420	(141)
Other temporary differences	58	(43)	58	(11)	1
Deferred tax expenses (income)			(363)	3,839 (*)	808
Deferred tax liabilities, net	(156)	(191)			

(*) Including expenses for adjusting deferred taxes after the energy levy in the North Sea came into effect as set out in Section A(2) above.

As at December 31, 2023 and 2022, the deferred taxes for Group companies in Israel are based on a tax rate of 23%, and the deferred taxes for subsidiaries in the UK are based on a tax rate of 40% and 75%, according to the tax rates expected to apply at the time of exercise.

Movement in deferred tax liabilities, net

	2023	2022
	NIS million	
As at January 1	(191)	(398)
Commencement of consolidation	(65)	4,596
Stated in other comprehensive income for cash flow hedges	(261)	(670)
Charged to tax expenses	363	(3,839)
Translation differences	(2)	120
Balance as at December 31	(156)	(191)

E. Income taxes (tax benefits) in the statements of income

	For the year ended December 31		
	2023	2022	2021
	NIS million		
Current taxes	1,739	823	402
Deferred taxes (tax benefit) (see also Section D above).	(363)	3,839	808
Taxes (tax benefits) for prior years	55	(39)	37
	1,431	4,623	1,247

NOTE 28 - INCOME TAXES AND GAS AND PETROLEUM PROFITS LEVY (cont.)

F. Adjustment of theoretic tax

Below is a presentation of the tax amount that would be applicable if all the income was taxable at the regular corporate tax rates in Israel and the tax amount charged to the statement of income for the reporting year:

	For the year ended December 31		
	2023	2022	2021
	NIS million		
Profit (loss) before taxes on income	3,814	9,154	2,835
Statutory tax rate in Israel	23%	23%	23%
Tax computed at the statutory tax rate in Israel	877	2,105	652
Increase (decrease) in tax liabilities for:			
Utilization of carryforward losses from previous years for which no deferred taxes were generated	-	-	(4)
Losses and other differences for which no tax benefit was recorded	324	262	-
Initial creation of a tax reserve due to a change in taxation method for the Partnership (see Note 28A(1)).	-	-	306
Company's share the results in equity-accounted companies and partnerships, net	(8)	(8)	(10)
Differences at the base of the measurement for tax purposes of a subsidiary partnership's results (NIS against USD)	27	14	-
Current taxes for prior years	55	(39)	37
Deferred taxes for prior years	(21)	(92)	(21)
Tax benefit in respect of deduction of investments allowances in the North Sea	(209)	69	(99)
Other tax benefits for foreign oil and gas assets	(532)	(520)	(31)
Adjustments for different statutory tax rate in consolidated companies	338	1,242	446
Adjustment for gain from a bargain acquisition	(29)	(1,772)	-
Deferred taxes for EPL	(792)	2,703	-
Current taxes for EPL	1,223	441	-
Exempt revenue, unrecognized expenses and other adjustments, net	178	218	(29)
	1,431	4,623	1,247

G. The Company is registered for value added tax purposes as a joint licensed dealer (consolidation of dealers) together with some of its consolidated companies.

H. Taxation of Profits and Natural Resources Law, 2011

In April 2011, the Knesset passed the Profits and Natural Resources Tax Law, 2011 (hereinafter - the "Law"). Implementation of the Law resulted in a change in the tax regulations applicable to the Partnership, including the introduction of the Gas and Petroleum Profits Levy in accordance with the law and elimination of the depletion deduction. The law includes transitional provisions for producing projects or projects that started production before 2014.

The main provisions of the law are as follows:

1) Introduction of the Gas and Petroleum Profits Levy at the rate set out below. The rate of the levy is based on the recovery factor (the "R Factor"), according to the ratio between the net aggregate revenues from the project and the aggregate investments as defined in the Law. The minimum rate of the levy will be 20% if the R Factor is 1.5, and will increase progressively up to a maximum rate of once the ratio reaches 2.3. The maximum levy is 50% less the multiple of 0.64 in the difference between the corporate tax rate set out in Section 126 of the Income Tax Ordinance, 1961 for each tax year and the 18% tax rate. In accordance with the corporate tax rate in 2023, the maximum rate is 46.8%.

NOTE 28 - INCOME TAXES AND GAS AND PETROLEUM PROFITS LEVY (cont.)

H. Taxation of Profits and Natural Resources Law, 2011 (cont.)

1) (cont.)

Additional provisions were also determined regarding the levy, among other things, the levy will be recognized as an expense for the purpose of calculating income tax; the levy limits will not include transmission facilities used for export; the levy will be calculated and imposed on each lease separately (ring fencing); recipients of payments by a petroleum interest holder will be charged, inter alia, as a rate of the oil produced (hereinafter - the “Derivative Payment"), in accordance with the amount of the Derivative Payment received, and the amount of the levy attributed to the recipient of the Derivative Payment will be deducted from the amount of the levy due from the holder of the oil right.In addition, the Law prescribes regulations for consolidation or separation of oil projects in respect of the Law.
The provisions regarding the Gas and Petroleum Profits Levy are effective as from April 10, 2011, and they include transitional provisions for projects that began commercial production before January 1, 2014.

A. The provisions of this law will apply to a project that commenced commercial production before the effective date, with the following changes:

1) If a levy is imposed on a project in the tax year of the effective date, the rate of the levy in that tax year will be half of the rate of the levy that would have been imposed on the oil profits were it not for the provisions of this subsection, and no more than 10%;

2) If the R Factor in the tax year of the effective date exceeds 1.5, rules were determined for calculation of the R Factor for each subsequent tax year;

3) The rate of levy imposed on the project’s oil profits in each of the tax years from 2012 through to 2015 will be equal to half of the rate of the levy that would be imposed on the oil profits without the provisions of this section.

B. The following provisions will apply to a project that starts commercial production after the effective date but before January 1, 2014:

1) The minimum levy factor will be 2 instead of 1.5 and the maximum will be 2.8 instead of 2.3;

2) The annual accelerated depreciation rate for a deductible asset acquired in 2011-2013 will be 15% instead of 10%.

2) On November 10, 2021 the Knesset passed the second and third readings of Amendment No. 3 to the Taxation of Profits from Natural Resources Law, 2021 (hereinafter - the “Amendment to the Law”), whereby, among other things, in case of disagreement the payment of 75% of the disputed amounts payable in respect of the Gas and Petroleum Profits Levy will be brought forward subject to the Tax Assessment Officer’s decision as to the objection filed (prior to completion of any judicial proceedings). In accordance with the amendment to the law, it is possible that there will be an advance payment of 75% of the disputed amounts.

3) It is noted that disputes have arisen between the Assessing Officer for Large Enterprises (hereinafter - the “Assessing Officer”) and the holders of rights in the Leviathan Leases regarding the levy reports for the Leviathan Leases for 2013-2015, related primarily to the data classification and quantification method in the levy reports for the Leviathan Leases for these years. In October 2018, the parties reached agreements regarding the disputes, under a levy assessment agreement for 2013-2015, which, in October 2018, was validated as a judgment by the Tel Aviv District Court.
In December 2019, the holders of the Leviathan rights and the Assessing Officer signed a levy assessment agreement for the 2016 and 2017 levy reports, and in October 2021, an assessment agreement was signed for the Leviathan levy assessment for 2018.

NOTE 28 - INCOME TAXES AND GAS AND PETROLEUM PROFITS LEVY (cont.)

H. Taxation of Profits and Natural Resources Law, 2011 (cont.)

3) (cont.)

In December 2021, the Leviathan partners received a best judgment assessment for the 2019 Leviathan levy, which includes interpretative disputes regarding application of the law in the levy reports of the Leviathan Leases, including recognition of payments by the holders of rights to the leases to allow the feasibility of exporting natural gas to Egypt. In March 2022, an appeal on the best judgment assessment was submitted to the Assessing Officer. On October 23, 2020, an appeal was filed with the Tel Aviv District Court for the levy assessment under an order for 2019, which was submitted to the Leviathan partners in September 2022. On January 6, 2022, the levy report of the Leviathan Leases for 2020 was filed with the Israel Tax Authority.

It should be noted that the coefficient of the levy in the Leviathan Leases as at the date of the financial statements is lower than 1.5, and that the effect of the assessments and the disputes set out above may be reflected in calculation of a higher levy. However, even if the position of the Assessing Officer is accepted in full, it is not expected, at present, to result in a coefficient higher than 1.5 from which actual collection of the levy will start.
Moreover, the holders of rights in the Leviathan Project reached agreements with the Israel Tax Authority on the consolidation of the Leviathan Leases (North and South) as a single oil project for purposes of the Law and the reports thereunder, in accordance with Section 8(a) of the Law.

4) It should be noted that disputes have arisen between the Assessing Officer and the holders of rights in the Tamar Project regarding the 2013-2020 levy reports of the Tamar Project, which refer, among other things, to the dispute regarding the sale of gas from the Tamar Reservoir for gas supply under agreements between natural gas consumers and the Yam Tethys partners; the position of the Israel Tax Authority is that notional receipts should be attributed to the Tamar project for the supply of natural gas from the Tamar Reservoir to customers that have agreements with the Yam Tethys partners, instead of determining project receipts according to the actual consideration received, for the method of recognition and classification of exploration and construction investments in the Tamar SW Reservoir and construction payments for the Tamar SW Reservoir, and recognition of payments made by the holders of the rights in the projects, including payment of costs to allow the feasibility of natural gas to Egypt (jointly hereinafter - the “Disputed Issues"). It is noted that the disputes relating to the 2013-2020 levy reports are adjudicated between the parties in the context of an appeal before the Tel Aviv District Court. It should be noted that on March 15, 2022, the explanations for the assessment of the Assessing Officer on the appeal for 2019 were received.
According to the Court’s decision, the notice outlining the grounds of the appeal shall be filed by April 30, 2024. It should be clarified that if there is a peremptory ruling accepting the position of the Israel Tax Authority regarding the disputes in full, the Partnership may incur an additional liability to pay the Gas and Petroleum Profits Levy to the Israel 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 approx. USD 37.5 million (which includes an amount of approx. USD 24.5 million for 2020) as at December 31, 2023.
In May 2022, the Assessing Officer issued a best judgment assessment for the 2020 tax year, most of which involves the same disputes regarding 2013-2019. In July 2022, the holders of rights in the Tamar project appealed the said assessment with the Assessing Officer for Large Enterprises.
On January 25, 2023, a levy assessment under an order was received for 2020. On February 8, 2023, an appeal was filed with the Tel Aviv District Court in respect of the order issued for the Tamar Project in 2020, and on April 30, 2023, the explanations for the assessment of the Assessing Officer on the appeal for 2020 were received. According to the Court’s decision, the notice outlining the grounds of the appeal shall be filed by April 30, 2024.
In this context, it should be noted that on November 14, 2022, the Jerusalem District Court handed down a judgment dismissing the claim against the state for the return of the royalties paid by the Partnership and Chevron, for notional receipts arising from the supply of natural gas to Yam Tethys customers.

NOTE 28 - INCOME TAXES AND GAS AND PETROLEUM PROFITS LEVY (cont.)

H. Taxation of Profits and Natural Resources Law, 2011 (cont.)

4) (cont.)

On February 8, 2023, 75% of the liability for the levy was paid, amounting to approx. NIS 62.7 million (including interest and linkage) (approx. USD 18 million), in accordance with the amendment to the law as set out in Paragraph 2 above.
The Partnership believes, based on the opinion of its legal counsel, that it is more likely than not that the Partnership's claims regarding the Disputed Issues (including the notional receipts) will be accepted, also taking into consideration the judgment.

5) It should be noted that disputes have arisen between the Assessing Officer and the holders of rights in the Ashkelon project and the Noa project (hereinafter jointly - the “Yam Tethys Projects”) regarding the 2018-2019 levy reports of the Yam Tethys Projects. It is further noted that the disputes for the 2018-2019 levy reports are being heard at the Tel-Aviv District Court. The share of the Group in the disputed amounts is approx. USD 1.9 million.

6) Taxation of Profits from Natural Resources Regulations:

On December 2, 2020, the Ministry of Finance published the draft Taxation of Profits from Natural Resources Regulations (Advance Payments on the Petroleum Profits Levy), 2020 (hereinafter in this section - the “Regulations of Advance Payments”). under which the matter of advance payments to be made by holders of petroleum rights in a petroleum venture, including method of calculating such advances, payment dates and reporting thereof.
The Advance Regulations were legislated under Sections 10(b) and 51 of the Law, and their purpose is to determine the advance payments to be made by the holders of oil rights in an oil project. The Regulations provides mainly a method for calculation of advance payments, payment dates and reporting of payments.
As at the approval date of the financial statements, the Partnership paid advances for 2020 to 2022 for the Gas and Petroleum Profits Levy (for proceeds from the sales of gas until the date of sale of the Tamar and Dalit project) amounting to approx. USD 63.2 million for its rights in the Tamar project (including the advance for 2020 in the amount of USD 18 million as set out above. According to the Partnership’s estimation and appraisals, based on the existing disputes with the Israel Tax Authority, the Partnership recorded in 2022 approx. USD 2.1 million in expenses for the Gas and Petroleum Profits Levy (2021 - approx. USD 43.9 million).

NOTE 29 - NET EARNINGS (LOSS) PER SHARE

A. Quantity of shares and the earnings (loss) attributable to the shareholders of the Company used to calculate the net earnings (loss) per share from continuing operations:

	For the year ended December 31					
	2023		2022		2021	
	Weighted no. of shares	Net income (loss)	Weighted no. of shares	Net income (loss)	Weighted no. of shares	Net income
	Thousand	NIS million	Thousand	NIS million	Thousand	NIS million
For calculation of diluted net earnings	18,226	1,571	17,732	3,991	17,179	1,348
Adjustment for the Group’s share in basic loss per share of investees	-	34	-	37	-	44
Group’s share in diluted loss per share of investees	-	(34)	-	(37)	-	(44)
Effect of potential ordinary shares, diluted **)	18	-	813	-	759	-
For calculation of diluted net earnings	18,244	1,571	18,545	3,991	17,938	1,348

NOTE 29 - NET EARNINGS (LOSS) PER SHARE (cont.)

B. Quantity of shares and the earnings (loss) attributable to the shareholders of the Company used to calculate the net earnings (loss) per share from discontinued operations:

	For the year ended December 31					
	2023		2022		2021	
	Weighted no. of shares	Net income	Weighted no. of shares	Loss	Weighted no. of shares	Net income
	Thousand	NIS million	Thousand	NIS million	Thousand	NIS million
For calculation of basic net earnings (loss)	18,226	22	17,732	(14)	17,179	84
Effect of potential ordinary shares, diluted **)	18	-	-	-	759	-
For calculation of diluted net earnings (loss)	18,244	22	17,732	(14)	17,938	84

**) In 2021 and 2022, the anti-dilutive effect of convertible securities was not taken into account.

NOTE 30 - 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 sold in December 2021.

- 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. Furthermore, since the third quarter of 2023, other segments also include Mehadrin's operations, which were acquired in that quarter (see also Note 9A(3) above).

B. Segment reporting

1) Revenue

	For the year ended December 31		
	2023	2022	2021
		NIS million	
Oil and gas exploration and production in and around Israel *)	3,510	3,276	3,231
Development and production of oil and gas assets in the North Sea	8,531	8,707	4,601
Other segments	289	12	6
Total in statement of income	12,330	11,995	7,838

NOTE 30 - OPERATING SEGMENTS (cont.)

B. Segment reporting (cont.)

2) Segment results – operating profit (loss)

	For the year ended December 31		
	2023	2022	2021
		NIS million	
Oil and gas exploration and production in and around Israel	2,487	2,202	1,544
Development and production of oil and gas assets in the North Sea	2,628	8,224	2,804
Other segments	22	26	116
Adjustments *)	69	(13)	31
Operating profit (loss)	5,206	10,439	4,495

*) Mainly administrative and general expenses attributable to the Staff Companies. For 2023, including gain from the bargain acquisition of Mehadrin, as specified in Note 9A(3).

3) Contribution to net income (loss) from continuing operations attributable to the shareholders of the Company

	For the year ended December 31		
	2023	2022	2021
		NIS million	
Oil and gas exploration and production in and around Israel	878	906	362
Development and production of oil and gas assets in the North Sea	1,044	3,436	1,282
Other segments	25	37	115
Adjustments *)	(376)	(402)	(411)
Profit (loss) from continuing operations attributable to shareholders of the Company	1,571	3,977	1,348

*) Mainly administrative and general expenses, financing and taxes attributable to the Staff Companies For 2023, also including gain from the bargain acquisition of Mehadrin, as specified in Note 9A(3).

NOTE 30 - OPERATING SEGMENTS (cont.)

B. Segment reporting (cont.)

4) Segment assets

	December 31	
	2023	2022
	NIS million	
Oil and gas exploration and production in and around Israel	17,723	17,523
Development and production of oil and gas assets in the North Sea	22,392	23,155
Other segments	1,756	252
	41,871	40,930
Investments in associates		
Oil and gas exploration and production in and around Israel	212	210
Other segments	428	282
	640	492
Assets not attributed to segments	1,330	1,648
Total consolidated assets	43,841	43,070

5) Segment liabilities

	December 31	
	2023	2022
	NIS million	
Oil and gas exploration and production in and around Israel	9,985	10,606
Development and production of oil and gas assets in the North Sea	13,790	15,142
	23,775	25,748
Other segments	803	-
Liabilities not attributed to segments	4,328	4,443
Total consolidated liabilities	28,906	30,191

6) Acquisition cost of long-term assets

	For the year ended December 31		
	2023	2022	2021
	NIS million		
Oil and gas exploration and production in and around Israel	623	218	133
Development and production of oil and gas assets in the North Sea	2,038	7,656 *)	1,303
Other segments	796 *)	2	1
	3,457	7,876	1,437

*) Including acquisitions under business combinations

NOTE 30 - OPERATING SEGMENTS (cont.)

B. Segment reporting (cont.)

7) Amortization and depreciation (including impairment)

	For the year ended December 31		
	2023	2022	2021
	NIS million		
Oil and gas exploration and production in and around Israel	376	403	319
Development and production of oil and gas assets in the North Sea	3,781	2,377	1,304
Other segments	9	1	1
	4,166	2,781	1,624

C. Geographic information

The revenue of the oil and gas exploration and production segment in the North Sea region is mainly from sales to customers in the UK and the assets used in this segment are in the UK. Israel's oil and gas exploration and production assets in Israel are located in Israel's territorial waters, with the exception of the Aphrodite Reservoir, which is located in Cyprus (see Note 11A). Most of the assets of other segments are located in Israel.

Below is a distribution of the Group's revenues by location of customers:

	For the year ended December 31		
	2023	2022	2021
	NIS million		
United Kingdom	8,572	8,707	4,601
Israel	672	825	1,589
The Mediterranean	2,927	2,463	1,648
Western Europe	112	-	-
Others	47	-	-
	12,330	11,995	7,838

D. Information about key customers:

The Group has revenue from main customers that constitute more than 10% of its total revenue, as detailed below:

	December 31	
	2023	2022
	NIS million	
Customer A	4,778	8,184
Customer B	2,321	1,795
Customer C	1,607	(*)

(*) In 2022, revenues from this customer constituted less than 10%.

NOTE 31 - INTERESTED AND RELATED PARTIES

A. Balances with interested and related parties

	December 31 2023	December 31 2022
	NIS million	
Receivables and debit balances	48	5
Long-term loans, deposits, and receivables	72	84
Other payables	27	2

B. Transactions with interested and related parties

	For the year ended December 31 2023	2022	2021
	NIS million		
Sales (mainly associates)	20	1	18
Cost of sales	2	-	-

C. Benefits for key management personnel (including directors) employed by the Group

The senior managers and some of the members of the board of directors in the Company are eligible, in addition to their salary, to non-monetary benefits, such as the use of a company car. In addition, the Company contributes to defined post-employment benefit plans.

Benefits for key management personnel (including one director) employed in the Company:

	For the year ended December 31					
	2023		2022		2021	
	No. of persons	Amount NIS million	No. of persons	Amount NIS million	No. of persons	Amount NIS million
Short-term benefits	9	45	8	31	8	32
Share-based payment	3	25	3	46	-	-

Benefits to the Company's directors who are not employed by the Company:

	For the year ended December 31					
	2023		2022		2021	
	No. of persons	Amount NIS million	No. of persons	Amount NIS million	No. of persons	Amount NIS million
Total benefits for non-employee directors *)	3	1	4	1	6	1

*) In 2021, including directors' compensation for the daughter of the controlling shareholder, who ended her tenure on May 31, 2021, totaling approx. NIS 61 thousand.

NOTE 31 - INTERESTED AND RELATED PARTIES (cont.)

C. Benefits for key management personnel (including directors) employed by the Group (cont.)

- In 2023, subsequent to approval by the Company's Compensation Committee, Mr. Wallace, the Company CEO was paid bonuses as follows: an annual bonus of NIS 1,547 thousand under the compensation plan for 2022, a special bonus of approx. NIS 1,437 thousand for 2022 that exceeds the compensation plan, and a special bonus of USD 460 thousand, which was fully paid to the Company by Ithaca, after the above special bonuses were approved in the Company's general meeting on May 9, 2023.
  Subsequent to the balance sheet date, on February 26, 2024, the Company's Board of Directors approved for Mr. Wallace, after approval by the Compensation Committee, an annual bonus, in accordance with the Company's Compensation Committee, of approx. NIS 3,770 thousand in respect of 2023, in addition to a special discretionary bonus of approx. NIS 516 thousand paid during 2023 in accordance with the Compensation Policy.

- 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 chairman of the board in a 50% position. His monthly salary will be a total of approx. NIS 60 thousand linked to the Consumer Price Index, 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. It is noted that on March 29, 2023, the Board of Directors approved, after the approval of the Compensation Committee on March 23, 2023, an annual bonus under the Company's compensation plan in the amount of NIS 800 thousand for 2022. In addition, the terms and conditions of his employment were approved at the general meeting of the Company's shareholders on May 9, 2023.
  Subsequent to the balance sheet date, the Company's board of directors approved, after the approval of the Compensation Committee on March 24, 2024, an annual bonus for Mr. Erez, under the Company's compensation plan in the amount of NIS 800 thousand for 2023.

- Regarding the share-based payment plans to officers of the consolidated companies and partnerships, see Notes 9A(1)(d), 9A(2)(d), and 9A(3)(c).

D. Agreements with the controlling shareholder

1) Agreements with the controlling shareholder to repay expenses

The Company's controlling shareholder has served as a director in the Company since September 18, 2014. The controlling shareholder provides, from time to time as requested by the Company's management, management advice and contributes of his time and numerous skills in promoting the interests and business if the Company and its subsidiaries in Israel and abroad.
On March 22, 2021, the Company's compensation committee approved an extension of the reimbursement mechanism for Yitzhak Tshuva, for three years, from January 1, 2021 to December 31, 2023, subject to the approval of the Company's board of directors and general meeting.
On December 28, 2023, the general meeting of the Company, after the approval of the Company's compensation committee and board of directors on November 21, 2023, approved the extension and update of the mechanism for reimbursement and payment of expenses for Yitzhak Tshuva, for an additional period of three years commencing on January 1, 2024.

NOTE 31 - INTERESTED AND RELATED PARTIES (cont.)

D. Agreements with the controlling shareholder (cont.)

1) Agreements with the controlling shareholder to repay expenses (cont.)

Under the mechanism, the Company will reimburse expenses incurred and expended relating to the aforesaid advice, and all against duly produced invoices. The expense reimbursement mechanism includes a closed list of the types of expenses to be reimbursed and does not have a limit to the amount of the expenses. The expenses will be reviewed according to nature, and accepted control and supervision mechanisms will be set up for reviewing the necessity of the reimbursed expenses. In 2021, reimbursement of expenses totaling approx. NIS 50 thousand was paid. In 2022, the Company paid an amount of NIS 156 thousand for reimbursement of expenses (including the debt of NIS 32 thousand paid for 2021). In 2023, the Company paid approx. NIS 219 thousand (including a debt of NIS 62 thousand for 2022) for reimbursement of expenses and he is also entitled to additional reimbursement of expenses for 2023 in the amount of approx. NIS 106 thousand.

On December 28, 2023 the general meeting approved for the controlling shareholder, following approval by the Company's Compensation Committee and Board of Directors on November 21, 2023, an annual compensation and a compensation for participation, at the maximum amount stipulated in the Second Addendum and in the Third Addendum to the Companies Regulations (Rules Regarding the Compensation and Expenses of an External Director), 2000, due to his service as a director and in accordance with Regulation 1B(3) of the Companies Regulations (Expedients in Transactions with an Interested Party), 2000.

2) Agreement with the controlling shareholder to lease an office building

The Company's audit committee approved the agreement with a private company of the controlling shareholder (hereinafter - the "Lessee"), for rental of space in an office building acquired by the Company under market conditions according to the opinion prepared by an independent real estate appraiser to determine the appropriate rental fee for the leased area.
The lease term is from September 19, 2019 until September 18, 2021 and includes an option to extend for two additional periods ending on September 18, 2031. The lessee notified the Company of the exercise of the first option period by September 18, 2026. In 2023, the lessee was charged an amount of approx. NIS 611 thousand; in 2022, the lessee was charged an amount of approx. NIS 594 thousand; in 2021, the lessee was charged an amount of approx. NIS 552 thousand for rent.

3) The highest balance for 2023 is the balance as at December 31, 2023, which amounts to approx. NIS 0.86 million.

E. For further information about guarantees provided to related parties, see Note 21B.

Principal partnerships and investees

Holding company	Company	Rate of holding and control of the investee (1) As at December 31, 2022	Rate of holding of the Group in final retention As at December 31, 2022	Presentation
		%	%	
Delek Group Ltd.	Delek Petroleum Ltd.	100	100	Consolidated
	Delek Infrastructure Ltd.	100	100	Consolidated
	Delek power plants - Limited Partnership	100	100	Consolidated
	Delek Energy Systems Ltd.	100	100	Consolidated
	NewMed Energy – Limited Partnership (2)	5.06	54.7	Consolidated
	Yam Tethys Joint Venture (1)	4.441	31	Proportionate consolidation
	Delek Sea Maagan (2011) Ltd.	100	100	Consolidated
	Israel Delek Holdings Group Ltd.	100	100	Consolidated
	Delek Financial Investments 2012 - Limited Partnership	100	100	Consolidated
	DKL Investments Limited	100	100	Consolidated
	Mehadrin Ltd. (3)	44.48	44.48	Consolidated
Delek Petroleum Ltd.	Delek The Israel Fuel Corporation Ltd.	24.75	24.75	Associate
	Delek Israel Properties (D.P.) Ltd.	24.18	24.18	Associate
	Holding Delek Hungary	100	100	Consolidated

(1) Directly and indirectly.
(2) Held also directly by Delek Energy Systems Ltd. and by Avner Oil and Gas Ltd.
(3) Subsequent to the balance sheet date, under tender offers, the Company acquired approx. 10.83% more of the share capital; see Note 9A3(b).

Principal partnerships and investees (cont.)

Holding company	Company	Rate of holding and control of the investee (1) As at December 31, 2023	Rate of holding of the Group in final retention As at December 31, 2023	Presentation
		%	%	
DKL Investments Limited	DKL Energy Limited	100	100	Consolidated
	Delek GOM Holdings Inc.	100	100	Consolidated
Delek GOM Holdings Inc.	Delek GOM Investments LLC	100	100	Consolidated
Delek GOM Investments LLC	GulfSlope Energy Inc.	23.2	23.2	Associate
DKL Energy Limited	Ithaca Energy Limited	88.55	88.55	Consolidated
Ithaca Energy Limited	Ithaca Energy (E&P) Limited	100	88.55	Consolidated
	Ithaca Energy (UK) Limited	100	88.55	Consolidated
	Ithaca Energy (Holdings) Limited	100	88.55	Consolidated
	Ithaca Energy Holdings (UK) Limited	100	88.55	Consolidated
	Ithaca Energy (North sea) PLC	100	88.55	Consolidated
	Ithaca Minerals (North sea) Limited	100	88.55	Consolidated
	Ithaca GSA Holdings Limited	100	88.55	Consolidated
	Ithaca Oil and Gas Limited	100	88.55	Consolidated
	Ithaca SPL Limited	100	88.55	Consolidated
	Ithaca Energy Developments UK Limited	100	88.55	Consolidated
	Ithaca GSA Limited	100	88.55	Consolidated
	Ithaca SP UK Limited	100	88.55	Consolidated
	Ithaca Dorset Limited	100	88.55	Consolidated
	FPF1 Limited	100	88.55	Consolidated
	Ithaca Zeta Limited	100	88.55	Consolidated
	Ithaca SP (Holdings) Limited	100	88.55	Consolidated
	Ithaca SP Finance Limited	100	88.55	Consolidated
	Ithaca SPE Limited	100	88.55	Consolidated
	Ithaca SP (E&P) Limited	100	88.55	Consolidated
	Ithaca SP (O&G) Limited	100	88.55	Consolidated
	Ithaca SP Bonds PLC	100	88.55	Consolidated
	Ithaca Petroleum Limited	100	88.55	Consolidated
	Ithaca Gamma Limited	100	88.55	Consolidated
	Ithaca Alpha (N.I) Limited	100	88.55	Consolidated
	Ithaca Epsilon Limited	100	88.55	Consolidated
	Ithaca Causeway Limited	100	88.55	Consolidated
	Ithaca Epsilon Limited	100	88.55	Consolidated
	Ithaca Petroleum EHF	100	88.55	Consolidated
	Ithaca MA Limited	100	88.55	Consolidated
	Ithaca MA(NS) Limited	100	88.55	Consolidated

(1) Directly and indirectly.

Principal partnerships and investees (cont.)

Holding company	Company	Rate of holding and control of the investee As at December 31, 2023	Rate of holding of the Group in final retention As at December 31, 2023	Presentation
		%	%	
Delek Energy Systems Ltd.	NewMed Energy Management Ltd.	100	100	Consolidated
	NewMed Energy Trustees Ltd.	100	100	Consolidated
	NewMed Energy – Limited Partnership (2)	49.12	54.7	Consolidated
	Avner Oil and Gas Ltd.	50	50	Associate
	Delek Overriding Royalty Leviathan Ltd.	100	100	Consolidated
NewMed Energy – Limited Partnership	EMED Pipeline B.V.	25	13.7	Associate
Mehadrin Ltd.	Pri Or Ltd.	100	44.48	Consolidated
	Gan Pelah Limited Partnership	49.99	22.24	Associate
	Mehadrin Tnuport Export Limited Partnership	100	44.48	Consolidated
	Mehadrin Tnuport Marketing (U.K.) Ltd	100	44.48	Consolidated
	Mehadrin USA INC	50	22.24	Associate
	Mehadrin Central Europe A.G	50	22.24	Associate
	Mor Briut Ltd.	51.02	22.69	Associate
	MTEX Holland B.V	100	44.48	Consolidated
	Mehadrin Export Ltd.	100	44.48	Consolidated
	Mehadrin Services	100	44.48	Consolidated
	Mehadrin International S.A.R.L	100	44.48	Consolidated
	S.T.M. Agricultural Exports Ltd.	50	22.24	Associate
	Hadari Beit Lid Ltd.	100	44.48	Consolidated
	Clear Water in Northern Sharon, Limited Partnership	50	22.24	Associate
	Miriam Shoham Ltd.	50	22.24	Associate

(1) Directly and indirectly.
(2) Held also directly by Delek Group and by Avner Oil and Gas Ltd.

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

Delek Group Ltd.

Financial data from the Consolidated Financial Statements Attributable to the Company

As at December 31, 2023

Financial data from the consolidated balance sheets attributed to the Company

	Note	As at December 31 2023	As at December 31 2022
		NIS million	
Current assets			
Cash and cash equivalents		696	1,104
Short-term investments		84	18
Income tax receivable		-	15
Receivables and debit balances		30	37
Total current assets		810	1,174
Non-current assets			
Investments in investee companies and partnerships	4	10,679	8,652
Loans and capital notes to investees	4B	2,602	3,376
Long term loans and debit balances	3	364	319
Investment property		270	252
Property, plant and equipment, net		42	44
Total non-current assets		13,957	12,643
		14,767	13,817

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

Financial data from the consolidated balance sheets attributed to the Company (cont.)

	Note	As at December 31 2023	As at December 31 2022
		NIS million	
Current liabilities			
Current maturities of loans from banks and others	6	218	-
Current maturities of debentures		178	763
Loans from subsidiaries		57	336
Payables and credit balances		142	150
Total current liabilities		595	1,249
Non-current liabilities			
Loan from banking corporations and others	6	169	104
Debentures	5	3,484	3,324
Loans from subsidiaries		986	576
Other liabilities (primarily for an obligation for decommissioning of long-term assets)		9	7
Total non-current liabilities		4,648	4,011
Equity attributable to the Company's shareholders	8		
Share capital		20	19
Share premium		2,353	2,554
Proceeds for conversion options and warrants		5	16
Retained earnings		7,519	7,026
Adjustments from translation of financial statements of foreign operations		174	(170)
Reserve for transactions with non-controlling interests		(702)	(652)
Other reserves		155	78
Treasury shares		-	(314)
Total equity		9,524	8,557
		14,767	13,817

March 26, 2024			
Approval date of the financial statements	Ehud Erez Chairman of the Board of Directors	Idan Wallace CEO	Tamir Polikar Executive VP and CFO

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

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

	Note	For the year ended December 31 2023	2022	2021
		NIS million		
Income from overriding royalties and gas sales (net of royalties)		-	2	3
Rent		9	13	6
Company's share in earnings of investee companies and partnerships, net		1,933	4,375	1,727
Total income		1,942	4,390	1,736
Cost of revenues		1	18	3
General and administrative expenses		41	22	22
Other income (expenses), net		118	(2)	63
Operating income		2,018	4,348	1,774
Net finance expenses with respect to loans to investees and others		(70)	(72)	(21)
Finance income (expenses) (mainly for financial investments), net		68	29	(15)
Finance expenses (mainly for debentures)		(453)	(317)	(386)
Profit before taxes on income		1,563	3,988	1,352
Tax benefit (taxes on income)	7	8	(9)	-
Income from continuing operations		1,571	3,979	1,352
Profit (loss) from discontinued operations, net		22	(2)	80
Net income attributable to the Company's shareholders		1,593	3,977	1,432

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

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

	For the year ended December 31		
	2023	2022	2021
	NIS million		
Net income attributable to the Company's shareholders	1,593	3,977	1,432
Other comprehensive income (loss):			
Amounts not reclassified to profit and loss:			
Other comprehensive income attributable to investee partnerships companies	-	-	65
Total	-	-	65
Amounts classified or reclassified to profit and loss under specific conditions:			
Adjustments from translation of financial statements of a foreign operation	112	406	(108)
Other comprehensive income (loss) attributable to investee companies and partnerships (post-tax)	309	1,476	(1,038)
Total	421	1,882	(1,146)
Total other comprehensive income (loss) from continuing operations	421	1,882	(1,081)
Total comprehensive income attributable to the Company's shareholders	2,014	5,859	351

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

	For the year ended December 31		
	2023	2022	2021
	NIS million		
Cash flows from the Company's operating activities			
Net income attributable to the Company's shareholders	1,593	3,977	1,432
Adjustments needed to present cash flows from the Company's operating activities (a)	(1,253)	(3,852)	(1,743)
Net cash provided by (used for) the Company's operating activities	340	125	(311)
Cash flows from the Company's investing activities			
Refunds received (investments) for property, plant and equipment and investment property	3	(2)	-
Proceeds from disposal of financial assets	-	-	23
Investment in an investee	(249)	-	-
Short-term deposits, net	(34)	(11)	78
Proceeds from disposal of investment property	-	-	19
Investment in long-term deposits	(136)	-	(4)
Collection of long-term deposits	-	4	76
Repayment (provision) of loans provided to others	46	-	73
Repayment (provision) of loans to, and equity investments in, investees, net	891	890	988
Net cash provided by the Company's investing activities	521	881	1,253
Cash flows from the Company's financing activities			
Issue of share capital and options (less issuance expenses)	-	-	136
Proceeds from exercise of options for shares of the Company	102	18	38
Dividend paid to shareholders	(1,100)	-	-
Change in balances with subsidiaries, net	28	(83)	162
Receipt of loans from banks and others	544	-	104
Repayment of loans from banks and others	(278)	-	(113)
Issue of debentures (less issuance expenses)	802	209	1,256
Repayment of debentures	(1,390)	(350)	(2,370)
Net cash used for the Company's financing activities	(1,292)	(206)	(787)
Exchange rate differences for cash and cash equivalent balances	23	19	-
Increase (decrease) in cash and cash equivalents	(408)	819	155
Cash and cash equivalents at the beginning of the year	1,104	285	130
Cash and cash equivalents at the end of the year	696	1,104	285

The 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 (cont.)

		For the year ended December 31		
		2023	2022	2021
		NIS million		
(a)	Adjustments for presentation of statement of cash flows from the Company's operating activities			
	Adjustments for profit and loss line items of the Company:			
	Depreciation, depletion and amortization	2	2	1
	Impairment (appreciation) of loans granted, net	(15)	7	(23)
	Impairment (appreciation) of investments in financial assets, net	(2)	1	16
	Company's share in the expenses of investee companies and partnerships *)	(1,388)	(3,934)	(1,588)
	Increase in value of liabilities, net	225	75	92
	Gain from a bargain purchase	(124)	-	-
	Revaluation of other long-term assets	-	2	(86)
	Exchange rate differences for balance of cash and cash equivalents, net	(23)	(19)	-
	Gain on disposal of investment property	-	-	10
	Impairment (appreciation) of investment property	(21)	2	(57)
	Changes in the Company's asset and liability line items:			
	Decrease (increase) in receivables and debit balances	39	5	(22)
	Increase (decrease) in payables and credit balances	54	7	(86)
		(1,253)	(3,852)	(1,743)
	*) Net of dividends received.	545	441	151
(b)	Company's significant non-cash activities			
	Dividend receivable from investee companies and partnerships	-	9	-
(c)	Additional information on cash flows			
	Cash paid during the year in the Company for:			
	Interest	225	231	416
	Cash received during the year in the Company for:			
	Interest	7	5	-
	Taxes	51	21	-
	Dividends	545	441	151

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

NOTE 1 - GENERAL

A. Manner of Preparation of the Financial Information from the Consolidated Financial Statements of the Company for 2023, attributed to the Company:

1. Definitions

The Company	-	Delek Group Ltd.
The Group	-	The Company and its subsidiaries and partnerships which are consolidated in the consolidated financial statements.
Consolidated companies, associates, investee companies, controlling shareholders, interested parties and related parties	-	As these terms are defined in the Company's consolidated financial statements for 2023 (hereinafter - the consolidated financial statements).

2. Manner of preparation of the financial information

The financial information from the consolidated financial statements attributed to the Company itself as the parent company (hereinafter - the financial information), was prepared in accordance with the provisions of Regulation 9 C of the Securities Regulations (Periodic and Immediate Reports), 1970.

The significant accounting policies applied for presenting this financial information are set out in Note 2 to the Consolidated Financial Statements.

3. Assets and liabilities included in the Consolidated Financial Statements attributable to the Company

The amounts of assets and liabilities in the Consolidated Financial Statements are attributable to the Company itself as the parent company are presented with a description of the types of assets and liabilities. This information is classified in the same manner by which the Consolidated Statements of Financial Position are classified. Furthermore, these figures reflect the mutual balances between the Company and investees which were canceled in the Consolidated Financial Statements.

In this matter, these figures were presented according to the provisions of IAS 1 and adjusted, where relevant, as detailed in the Statement of Financial Position.

4. Income and expenses included in the Consolidated Financial Statements attributable to the Company

The amounts of income and expenses in the Consolidated Financial Statements, with a breakdown of profit or loss, attributable to the Company itself as the parent company, are presented with a description of the type of income and expenditure. This information is classified in the same manner by which the consolidated statements of income are classified. In addition, these figures reflect the results of operations for mutual transactions that were canceled in the Consolidated Financial Statements.

In this matter these figures were presented according to the provisions of IAS 1 and adjusted, where relevant, as detailed in the statements of income.

5. Cash flows included in the Consolidated Financial Statements attributable to the Company

The amounts for cash flows included in the Consolidated Financial Statements attributable to the Company itself as the parent company are taken from the Consolidated Statements of Cash Flows with breakdown of cash flows from operating activities, cash flows from investing activities and cash flows from financing activities with a description of their composition. This information is classified in the same manner by which the Consolidated Financial Statements are classified.

NOTE 1 - GENERAL (cont.)

B. Significant 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 segment, oil and natural gas prices (as well as the USD-NIS exchange rate and interest rates) have a material impact (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.

Iron Swords War and its effect on the Group's operations

- Following the murderous attack by the Hamas terrorist organization in communities and military bases in the south of Israel on October 7, 2023, the Israeli government declared the Iron Swords War, against the terrorist organization (hereinafter - the "War"). Since the outbreak of the War on October 7, 2023, thousands of missiles have been launched from Gaza mainly into the southern and central Israel, and in addition, with the advancement of the battle, the Hizballah terror organization has intensified the tension on the Israel-Lebanese border. As at the approval date of the Financial Statements, the War is raging, and it is impossible to predict how long it will continue for and how it will affect the Group, particularly its business and assets in Israel.
Furthermore, continuation of the War may affect macroeconomic factors, including those listed in the Paragraph above, although it is impossible at this stage to assess the scope of the effect, if any.

Implications for gas and oil operations in Israel

Shortly after the outbreak of the War, gas production from the Tamar Reservoir was suspended according to a Government order, which was renewed during November 2023. Despite the War, as of the approval date of the Financial Statements, production from the Leviathan Reservoir continued as usual. During the shutdown period of the Tamar Reservoir and EMG Pipeline, the Leviathan Partners supply gas to some of the Tamar Reservoir customers, which led to a reduction of the quantities allocated to export (the quantity of gas supplied to Egypt in October and November constituted approx. 84% of the monthly contractual quantity which the Leviathan Partners undertook to supply). Since the outbreak of the War and up to the approval date of the financial statements, production from the Leviathan Reservoir is continuing as usual, and accordingly, there was no significant impairment of the Partnership's revenues and profitability. However, as a result of the War, operating expenses involved in the production of gas increased at a non-material rate, mainly due to difficulty of foreign companies in sending work crews to the region, which led to an increase in shipping prices and the need for further logistics measures to transport personnel and equipment. Furthermore, scheduled maintenance measures were postponed, revised or adjusted.

It is noted that the natural gas rigs, onshore and offshore production and transmission facilities, and other essential infrastructure systems in Israel and export countries may be a target for missile fire and terror acts, and damage to them, if any, may cause more substantial harm and disrupt or shutdown the production and/or transmission operations for a period and to an extent that may be significant. In such cases, the insurance policies purchased by Chevron Mediterranean Limited (hereinafter - "Chevron") and the Partnership may not be sufficient to cover the damage and losses incurred by the Partnership. In this regard, it should be noted that there is a risk that upon renewal of the insurance policies, mainly in connection with war and terror, it may not be possible to purchase appropriate policies under reasonable commercial terms or at all.

Upon the occurrence of certain events, such as early termination of the export agreements and unrepaired physical damage to the Leviathan Project, if they are likely to cause a material adverse effect, subject to remediation periods, qualifications and conditions, there is a risk of breach of the terms of the debentures of Leviathan Bond Ltd. (a wholly owned subsidiary of the Partnership), which are secured by the Partnership's rights in the Leviathan Project, as well as the terms of the loan received by Leviathan Overriding Royalty Ltd. (a wholly owned subsidiary of the Group), secured by rights to receive royalties from the Leviathan Project, as outlined in Notes 15E(3) and 16E(2) to the Consolidated Financial Statements, which may confer upon the debenture holders and lenders grounds for immediate repayment and realization of the collateral.

NOTE 1 - GENERAL (cont.)

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

As at the approval date of the Financial Statements, there is a great deal of uncertainty and it is impossible to estimate how the War will develop, whether it will expand to other areas, how long it will last, and its results and implications. Under such circumstances, it is impossible to assess the likelihood that the risk factors due to the War will materialize and their possible impact, including the specific risk factors listed above, which if materialized, may have a material adverse effect on the Group, its assets and business.

NOTE 2 - FINANCIAL INSTRUMENTS

Financial risk factors

The Company's activities expose it to various financial risks, such as market risks (including foreign currency risk, CPI risk, and interest rate risk), credit risk and liquidity risk. The Company's comprehensive risk management plan focuses on measures to minimize possible negative effects on the financial performance of the Company.

1. Liquidity risk

The table below presents the repayment dates of the Company's financial liabilities in accordance with the contractual terms, undiscounted (including interest payments):

As at December 31, 2023

	Up to one year	From one to two years	From two to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years	Total
	NIS million						
Debentures (including current maturities)	425	697	750	740	763	1,289	4,664
Loans from banks and others	242	123	57	-	-	-	422
Loans from subsidiaries	97	38	712	445	-	-	1,292
	764	858	1,519	1,185	763	1,289	6,378

As at December 31, 2022

	Up to one year	From one to two years	From two to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years	Total
	NIS million						
Debentures (including current maturities)	1,006	1,046	1,000	506	782	518	4,858
Loans from banks and others	7	111	-	-	-	-	118
Loans from subsidiaries	373	56	-	549	-	-	978
	1,386	1,213	1,000	1,055	782	518	5,954

2. Exchange rate risk

The Company has significant investments in foreign operations with the functional currency dominated in USD. An increase (decrease) of 10% in the USD exchange rate will result in an increase (decrease) in the capital attributed to the Company's shareholders (before the tax effect) of approx. NIS 1,090 million (as at December 31, 2022 - NIS 1,023 million).

3. For more information on debentures issued by the Company, see Note 16 to the consolidated financial statements.

NOTE 3 - LONG-TERM LOANS AND DEBIT BALANCES

In 2019, the transaction was completed for the Company's sale of approx. 32.5% of the share capital of The Phoenix to a company controlled by international private equity funds (hereinafter - the "Acquirer").

Part of the sale proceeds paid by the Acquirer was financed by a senior loan of NIS 548 million received by the Acquirer from financial institutions (hereinafter - the "Senior Loan"). The balance of the Senior Loan as at December 31, 2023 amounts to NIS 308 million. The loan is for a period of five years, with two options for extension of one year each, subject to the fulfillment of certain conditions. The interest for the senior loan will be paid every six months under the terms set out in the agreement. The interest and principal of the loan will be repaid from the dividends to be received by the Acquirer from The Phoenix in the loan period and from the consideration claimed from it from the sale of The Phoenix shares. The Company signed a credit support document (hereinafter - the "Credit Support Agreement") with the financial institutions to back up the loan in certain events stipulated in the agreement, including backing for interest payments by the Acquirer, payment of certain fees for the loan, including early repayment fees, and also undertook to guarantee some of the Acquirer's liabilities and in this respect, to deposit certain marketable securities and/or financial deposits at a total initial amount of NIS 70 million, and the amounts may exceed a maximum amount of up to 50% of the amount of the Senior Loan (plus the amount deposited in a reserve to guarantee interest on the Senior Loan), if the events defined in the agreement occur, including, inter alia: 1. non-compliance with certain financial conditions with respect to The Phoenix and/or the Senior Loan defined in the liability agreement; 2. A downgrade in the credit rating of The Phoenix (below a rating of BBB+); 3. A material debt of the Company (as this term is defined in the agreement) was called for immediate repayment due to an event of default; 4. the Company breached a commitment to pay a debt of least NIS 25 million for a material debt; and 5. a downgrade in the credit rating of the Company which constitutes an event of default in respect of the material debt. If the Company breaches its obligation to deposit the required amounts and in the event of a breach of representation for the financial statements of The Phoenix, the maximum amount it may be required to deposit may exceed 100% of the amount of the Senior Loan, and then the Company has the right to call for the endorsement of the Senior Debt.

In addition, as part of the agreement to sell The Phoenix shares, the Company provided a subordinate loan of approx. NIS 235 million to the Acquirer (hereinafter - the "Seller's Loan"). The loan is for a period of 5 years (with an option to extend for two more years under certain conditions). The loan will bear interest at a rate that will cause the Acquirer to pay for both the Senior Loan and the Subordinated Loan a rate of 4% per year for the first 5 years, 7% for the sixth year, and 8% for the seventh year. The interest and principal of the loan will be paid out of the dividend receipts by the Acquirer, proceeds from the sale of The Phoenix shares, as well as adjustments to the transaction price that the Company undertook to pay to the Acquirer under certain conditions, as set out below. To secure its liabilities related to the loan, the Acquirer pledged, among other things, The Phoenix shares that it holds in favor of the Company as a second-ranking lien. It should be noted that interest for the Senior Loan that the Company is required to pay under the Credit Support Agreement is added to the reserve of the Seller's Loan.

The sale agreement stipulated adjustments to the sales price, which may result in an increase in the total consideration to be received by the Company in an amount of up to approx. NIS 866 million, subject to certain adjustments, or to a reduction in the total consideration of up to approx. NIS 196 million. These adjustments include reference to the previous profits of The Phoenix at the completion date, adjustments arising from an increase or decrease in the value of The Phoenix shares, including for a notional option granted to the Acquirer for 7.5% of The Phoenix shares (hereinafter - the "**Option**") and the rate of return of the Acquirer in the investment period in The Phoenix.

The Seller's Loan, components of contingent considerations, and future adjustments (including for the Option) are measured in the financial statements at fair value through profit or loss. As at December 31, 2023, the net fair value of these instruments amounts to approx. NIS 200 million (as at December 31, 2022 - approx. NIS 185 million). The fair value was estimated 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 approx. 29% and the annual dividend yield was estimated at approx. 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.
The profit generated for the Company as a result of the revaluation of the loan amounted to approx. NIS 22 million in 2023 (in 2022 - a loss of approx. NIS 4 million and in 2021, a profit of approx. NIS 84 million) and it is included in the statement of income under profit (loss) from discontinued operations.

NOTE 4 - LOANS, BALANCES, AGREEMENTS, AND MATERIAL TRANSACTIONS WITH INVESTEE COMPANIES

A. Material guarantees as aft December 31, 2023

The Company provided an unlimited guarantee, in favor of the Republic of Cyprus to secure full compliance with the liabilities of NewMed Energy Partnership; for further information, see Notes 11D and 21B(2) to the Consolidated Financial Statements.

B. Loans granted to investee companies

The Company has loans and investments in capital notes in investees, most of which are unlinked interest-free USD capital notes.

C. Agreements

1. For each of the years 2023, 2022 and 2021, the Company charged Delek Energy for overheads and general and administrative expenses in the amount of approx. NIS 4 million in accordance with the Company's agreement with Delek Energy of February 2021.

2. For 2022 and 2021, the Company charged DKL Investment Limited (hereinafter - “**DKL**”), a wholly owned subsidiary, which holds, indirectly, Ithaca Energy Plc (hereinafter “Ithaca”) for overheads and general and administrative expenses in the amount of approx. USD 3.5 million (approx. NIS 13 million) and approx. USD 4 million (approx. NIS 14 million), respectively, in accordance with the Company's agreement with DKL. Subsequent to Ithaca’s IPO, in November 2022 (for details, see Note 9A(1)(b) to the Consolidated Financial Statements), the agreement was terminated.

3. For 2023, 2022 and 2021, the Company charged Delek Petroleum for overheads and general and administrative expenses in the amount of approx. NIS 1.9 million, approx. NIS 1.6 million and approx. NIS 1.1 million, respectively, in accordance with the Company's agreement with Delek Petroleum.

4. Under an agreement of December 26, 2021, the Company undertook to provide directors’ services to NewMed Energy Management Ltd. (formerly Delek Drilling Management (1993) Ltd. (hereinafter - the “General Partner”), by Company officers. In return, the General Partner will pay Delek Group a proportionate share of the costs of the directors’ salaries, according the time devoted by them for provision of the directors’ services. In 2023, 2022 and 2021, the Company charged General Partner for expenses with respect to directors’ fees totaling approx. NIS 3 million, NIS 4 million, and NIS 4 million, respectively.

For further information regarding investees, see Note 9 to the Consolidated Financial Statements.

D. Pledges

To secure debts to the debenture holders and the banks, the Company and the subsidiaries pledged shares of some of the investee companies and partnerships and made financial deposits. For details, see Note 22 to the Consolidated Financial Statements.
In addition, in January 2021, a third party granted the Company a approx. NIS 104 million loan against a mortgage on the building in Herzliya that it owns. The said loan was repaid subsequent to the balance sheet date, in January 2024, and the pledge was removed.

E. Contingent liabilities

There are contingent claims against the Company and some of the investees for significant amounts, including motions for class action lawsuits; in some cases, it is not possible to assess their outcome at this stage, and therefore no provision was recorded in the financial statements. For information about lawsuits filed against the Group companies, see Note 21A to the Consolidated Financial Statements.

NOTE 5 - DEBENTURES

For further information regarding the issuance of debentures and the early repayment of debentures in the reporting year and subsequent to the balance sheet date, see Note 16 to the Consolidated Financial Statements.

For further information about the covenants which the Company is required to comply with under the amendment to the deed of trust of the debenture series, see Note 16 to the Consolidated Financial Statements.

NOTE 6 - LOANS FROM OTHERS

For information about a bank loan taken out by the Company in the reporting year and the Company's obligations in respect of the loan, see Note 15E(2) to the Consolidated Financial Statements.

NOTE 7 - INCOME TAXES

A. Tax laws that apply to the Company

Income Tax (Inflationary Adjustments) Law, 1985

According to law, until 2007, the results for tax purposes in Israel are adjusted for the changes in the CPI.

B. Tax rates applicable to the Company

The rate of corporate tax in Israel in 2023, 2022 and 2021 is 23%.
An association of individuals is taxed on real capital gain at the corporate tax rate in the year of the sale.

C. Carryforward losses for tax purposes and other temporary differences

As at December 31, 2023, the Company has carry-forward tax losses amounting to approx. NIS 2.8 billion (of which, approx. NIS 1.1 billion are capital losses). No deferred tax assets were recognized for these losses, due to the uncertainty regarding future taxable income.

D. Tax assessments

In December 2021, the Company and the Israel Tax Authority signed the 2015-2018 assessment agreements; therefore, the Company's tax assessments through tax year 2018 are final tax assessments. It should be noted that the said assessment agreements did not have an effect on the financial statements.

NOTE 8 - EQUITY

Regarding exercise of options and issuance of shares and options of the Company and changes in the Company's shares held by the subsidiary partnership for 2022-2023, see Note 23 to the Consolidated Financial Statements.

Regarding dividends distributed or declared by the Company, see Note 23D to the Consolidated Financial Statements.

\- - - - - - - - - - - - - - - - - -

Chapter D

Additional Information on the Corporation

Chapter D - Additional Details about the Corporation

Company name: Delek Group Ltd. **Company number in the Register of Companies:** 52-004432-2

Date of Statement of Financial Position: December 31, 2023
(Regulation 9)

Periodic Report Date: March 26, 2024

Regulation 8B: Valuation

1. **Purchase price allocation for assets and liabilities of Siccar Point Energy Luxembourg S.C.A (hereinafter - "Siccar Point").**

   As set out in Note 9A(1)(g) to the Annual Financial Statements as at December 31, 2023, regarding the business combination of Siccar Point, as at the business combination date, Ithaca recognized the fair value of the assets acquired and the liabilities assumed in the business combination, based on a provisional assessment. This measurement was completed in the 2023 reporting period. The valuation was prepared by an external appraiser and is attached to the Company's financial statements as at June 30, 2023. For details about the said valuation, see Appendix C to the Report of the Board of Directors for the second quarter, published on August 23, 2023 (Ref. No.: 2023-01-097119), included herein by way of reference.

2. **Testing for impairment of goodwill attributable to the Oil and Gas Development and Production in the North Sea cash-generating unit.**

   As at December 31, 2023, the Group conducted highly material valuations to test for impairment of goodwill associated with a cash-generating unit of "oil and gas development and production assets in the North Sea". The financial paper that includes the foregoing valuations is attached to the Group's financial statements.

   Breakdown of the main points specified in this valuation:

Topic of the valuation:	Assessment of the recoverable amount of a cash-generating unit to which the goodwill was attributed as aforesaid, ad assessment of the recoverable amount of the oil and gas assets in the North Sea Region.
Date of valuation:	December 31, 2023.
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.
Value of the evaluated item based on the evaluation:	The recoverable amount of the North Sea oil and gas development and production assets cash-generating unit to which the estimated goodwill (reflecting approx. 89% of Ithaca's value) was attributed was valued at approx. USD 4 billion, which is significantly higher than the carrying amount of the unit.
Authentication and details of the appraiser:	The valuation was performed by Kroll, which is a global consulting company with more than 3,500 employees in 28 countries. The firm, which was founded in 1932, provides consulting services to a considerable number of customers, including approx. 50% of the S&P 500 companies. The firm provides diverse advisory services,

	including, among others, valuation, tax services, and merger and acquisition consultation. The company's valuation team includes more than 1,200 professionals and experts in financial consulting, including PPA, assessments of impairment of goodwill and intangible assets, and valuations. Under the agreement with the Appraiser, other than in the event of misconduct or fraud by the Appraiser, its liability is limited to its 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.
Valuation model used by the Appraiser:	Discounted cash flows.
Key assumptions according to which the appraiser conducted the valuation, based on the valuation model:	The key underlying assumptions of the valuation include forecasts of revenues and expenses, taking into account, among other things, production rate and volumes, projected oil and gas prices, inflation rate and retirement costs. The appraiser used the cash flow discounting method in the valuation, based on a discount rate after tax of 11.9% on future Brent oil prices of approx. USD 85 per barrel in 2024, approx. USD 83 per barrel in 2025, approx. USD 87 per barrel in 2026, approx. USD 90 per barrel in 2027 and approx. USD 93 per barrel in 2028, and future gas prices of 101 pence/therm in 2024, 96 pence/therm in 2025, 83 pence/therm in 2026, 85 pence/therm in 2027, and 87 pence/therm in 2028. For the years subsequent to 2028, it was assumed that the nominal prices will increase at an annual rate of 2%.

Regulation 9D: **The Company's report on the state of liabilities, by repayment dates**

Parallel to publication of this periodic report, the Company is publishing an immediate report regarding the state of the liabilities of the Company and the companies consolidated in its financial statements, by repayment dates, constituting an integral part of the periodic report.

Regulation 10A: **The Company's condensed statements of comprehensive income for each quarter**

See Section 3 of Part 1 of Chapter B (Board of Directors Report on the Status of the Company's Affairs), which is attached to this Report.

Regulation 10C: Use of proceeds for securities

In February 2023, the Company issued NIS 1,750,000,000 par value Debentures (Series B37) by way of an exchange tender offer of Debentures (Series B31 and B34). For further details, see Section 1.14.5(1) under Description of the Corporation's Business.

In September 2023, the Company issued NIS 816,891,000 p.v. in Debentures (Series B38).The immediate gross consideration received by the Company under the private placement amounted to a total of approx. NIS 817 million, of which approx. NIS 317 million was used for partial repayment of Debentures (Series B35) and the balance for the Company's ongoing business operations.

Subsequent to the Financial Position Report Date, in January 2024, the Company issued NIS 515,000,000 p.v. in Debentures (Series B38) by expansion of the series. The proceeds of the issuance, totaling approx. NIS 534 million, were used for early and final repayment of Debentures (Series B35).

Regulation 11: The Company's Investments in each of its Main Subsidiaries, Related Companies and Associates as at the Financial Position Report Date.

Active companies held directly by the Company

Company name	Security no. on the TASE	Type of security	Par value	No. of par value/participation unit held by the Group	% of equity held	% Voting rights	Total investment as at the Financial Position Report Date (NIS million)	NIS price of securities on the TASE as at the Financial Position Report Date	Balance of outstanding loans, debentures and capital notes (including interest receivable) in statement of financial position (NIS millions)
Delek Petroleum Ltd.	-	Ordinary Shares	0.01 NIS	1,100	100	100	869	-	-
Delek Sea Maagan (2011) Ltd.	-	Ordinary Shares	0.1 NIS	10,000	100	100	38	-	23
Delek Energy Systems Ltd.	565010	Ordinary Shares	NIS 1	5,143,529	100	100	3,905	-	-
NewMed Energy - Limited Partnership (1)	475020	Participation units	-	59,477,005	5.06	5.06	558	10.4	-
DKL Investments Limited (2)	-	Ordinary Shares	EUR 1	10,000	100	100	5,244	-	2,319
Delek Infrastructure Ltd.	-	Ordinary Shares	NIS 1	100	100	100	(33)	-	2
Delek Power Plants Limited Partnership	-	Participation units	-	100	100	100	(259)	-	255
Mehadrin Ltd. (3)	686014	Ordinary Shares	NIS 1	1,478,826	44.48	44.48	362	140	-

(1) Also held through a wholly owned company, Delek Energy Systems Ltd. (hereinafter - "**Delek Energy**")

(2) As at December 31, 2023 and close the to date of publication of the Report, indirectly holds 88.55% of Ithaca Energy Plc's shares (hereinafter - "**Ithaca**").

(3) On August 17, 2023, the Company completed a transaction to purchase approx. 44.48% of the issued and paid-up share capital of Mehadrin Ltd. (hereinafter - "**Mehadrin**"). Subsequent to the report date, on January 3, 2024, the Company published the specification of a special tender offer for Mehadrin shares and based on its results, the Company purchased another 10.83% of Mehadrin's issued shares. As at the report publication date, the Company holds approx. 54.82% of Mehadrin's share capital and voting rights. For further details regarding Mehadrin, see Section 1.9.1 above, under Description of the Corporation's Business.

Material companies held by the Company's subsidiaries (Delek Energy, DKL, Delek Petroleum)

Company name	Security no. on the TASE	Type of security	Par value	No. of par value/participation unit held by the Group	% of equity held	% in voting rights	Total investment as at the Financial Position Report Date (NIS millions)	NIS price of securities on the TASE as at the Financial Position Report Date	Balance of outstanding loans (including interest receivable) in statement of financial position (NIS million)
NewMed Energy - Limited Partnership (1)	475020	Participation units	-	576,521,467	49.12	49.12	4,514	10.40	-
"Delek" - The Israel Fuel Corporation Ltd. (2)	-	Ordinary Shares	NIS 1	2,837,160	24.75	24.75	127	-	3
Delek Israel Properties (D.P.) Ltd. (3)	-	Ordinary Shares	NIS 1	2,837,160	24.18	24.18	170	-	-
Ithaca Energy Plc.	-	Ordinary Shares	0.01 pence	898,219,931	88.55	88.55	7,559	6.66	-
Delek GOM Holdings LLC (4)	-	Ordinary Shares	USD 1	10,000	100	100	(265)	-	268
Delek Leviathan Overriding Royalty Ltd. (5)	-	Ordinary Shares	NIS 1	1,001,000	100	100	(72)	-	-

(1) As at December 31, 2023, the holding is through Delek Energy. The Company's total, direct and indirect, holding in NewMed Energy Limited Partnership is approx. 54.7% (including the Company's holdings through Avner Oil and Gas Ltd.)
(2),(3) The holding is through a wholly owned company, Delek Petroleum Ltd. (hereinafter - "Delek Petroleum").
(4)Held by DKL Investments Limited.
(5) As at December 31, 2023, the holding is through Delek Energy. For further information about the financing agreement for a loan of USD 215 million in return for pledging the overriding royalties from Leviathan and the related rights, see Section 1.7.22(d) above, in the Description of the Corporation's Business chapter.

Regulation 12: Material changes in investments in subsidiaries, investees and affiliates in the reporting period

Date of change	Nature of Change	Company name	Share no. on the TASE	Type of security	Total par value	Par value	Consideration
August 17, 2023	Acquisition	Mehadrin Ltd.	686014	Ordinary Shares	1,478,826	NIS 1 p.v.	Approx. NIS 249 million
January 31, 2024(*)	Acquisition	Mehadrin Ltd.	686014	Ordinary Shares	361,643	NIS 1 p.v.	Approx. NIS 59 million

(*) Subsequent to the Financial Position Report Date.

<u>Regulation 13</u>: Comprehensive and Net Income of Subsidiaries, Investees and Affiliates and the Company's Revenues Therefrom as at the Financial Position Report Date for the Year Ended December 31, 2023 (NIS millions).

Company name	Net income (loss) for year		Comprehensive income (loss) for the year		Income received by the Company from:					
					Dividend		Interest		Management fees	
	Attributable to the Company's shareholders	Attributable to holders of minority interest	Attributable to the Company's shareholders	Attributable to holders of minority interest	Until December 31, 2023	From January 1, 2024 through the report publication date	Until December 31, 2023	From January 1, 2024 through the report publication date	Until December 31, 2023	From January 1, 2024 through the report publication date
Delek Energy Systems Ltd.	819	812	881	877	481	-	-	-	-	-
NewMed Energy - Limited Partnership (1)	77	-	90	-	52	-	-	-	1.3	-
Delek - The Israel Fuel Corporation Ltd.	12	-	12	-	12	-	-	-	-	-
Delek Israel Properties (D.P.) Ltd.	20	-	20	-	6	-	-	-	-	-
Delek Leviathan Overriding Royalty Ltd. (2)	4	-	2	-	-	-	-	-	-	-
Ithaca Energy Plc.	1,044	126	1,357	160	873	-	-	-	-	-
Mehadrin Ltd.	(11)	(13)	(11)	(14)	-	-	-	-	-	-

(1) For direct holdings by the Group, 5.06% of the participation units of NewMed Energy - Limited Partnership.
(2) A wholly-owned subsidiary of Delek Energy.

Regulation 20: Trading the Company's securities on the TASE, dates and reasons for interruption of trade

Securities listed for trade:

(1) On February 8, 2023, 1,750,000,000 par value Debentures (Series B37) issued by the Company under a prospectus and shelf offering report by way of an exchange tender offer on January 22, 2022, were listed for trading.
(2) On September 7, 2023, 816,891,000 p.v. Debentures (Series B38) issued by the Company under a prospectus and shelf offering report on September 6, 2023, were listed for trading.
(3) Subsequent to the Financial Position Report Date, on January 7, 2024, 515,000,000 p.v. Debentures (Series B38) issued by the Company in accordance with an immediate report dated January 1, 2024, were listed for trading.

Volatility interruptions: To the best of the Company's knowledge, in the reporting year there were no interruptions of trade of the Company's securities, other than the short interruptions for publication of the financial statements for 2022 of the Company and NewMed Energy - Limited Partnership.

Regulation 21: Payments made to senior officers (in NIS thousand):

21(a)(1): Below is a breakdown of the benefits given in 2023 to each of the five recipients of the highest benefits among the executive officers at the Company or companies under its control, and which were given to them in lieu of their position in the Company or companies under its control, as recognized in the financial statements in NIS thousand:

Recipient				Benefits in lieu of services					Total	Total excluding share-based payment
Name	Position	Employment basis	% of equity held in the Company	Wages	Management fees	Bonus	Share-based payment	Other		
Gilad Meirson (1)	Chairman of the Board, Ithaca Energy Plc	Full-time	-	2,606	-	6,859	10,908	359	20,731	9,823
Yossi Abu (2)	CEO of NewMed Energy - Limited Partnership	Full-time	-	3,178	-	2,932	11,052	782	17,944	6,892
Idan Wallace (4)	CEO of the Company	Full-time	-	2,711	-	5,163	-	459	8,333	8,333
Alan Bruce (3)	CEO of Ithaca Energy Plc	Full-time	-	2,073	-	715	2,643	50	5,480	2,838
Tamir Polikar (5)	Executive VP and CFO	Full-time	-	-	2,209	1,600	-	238	4,047	4,047

21(a)(2): Below is a breakdown of the benefits paid in 2023 to each of the Company's three senior officers who are not among those appearing in the foregoing table, and the royalties awarded them with respect to their tenure at the Company, as recognized in the financial statements, in NIS thousand:

Recipient				Benefits in lieu of services								Other Benefits	Total
Name	**Position**	**Employment basis**	**% of equity held in the Com-pany**	**Wages**	**Bonus**	**Share-based payment**	**Manage-ment fees**	**Consultancy fees**	**Fee**	**Other**	**Directors' compensation**		
Leora Pratt Levin (6)	Executive VP, Chief Legal Counsel, Company Secretary	Full-time	0.01%	1,837	1,373	-	-	-	-	363	-	-	3,574
Udi Erez (7)	Chairman of the Company's board of directors	50%	-	1,023	800	-	-	-	-	96	-	-	1,919
Yair Neuman (8)	VP Business Development	50%	-	-	370	-	-	720	-	1	-	-	1,091

21(a)(3): Breakdown of the compensation paid in 2023 to each of the Company's interested parties, who are not represented in the foregoing table, with respect to their office in the Company and in its investees, in NIS thousands:

Recipient				Benefits in lieu of services								Other Benefits	Total
Name	Position	Employment basis	% of equity held in the Company	Wages	Bonus	Share-based payment	Management fees	Consultancy fees	Fee	Other	Directors' compensation		
Yitzhak Sharon Tshuva (9)	Director and controlling shareholder of the Company	-	-	-	-	-	-	-	-	219			219
Independent director: Roni Milo (10)	-	-	-	-	-	-	-	-	-		217		217
External directors: Shimon Doron and Ruthy Dahan Portnoy (11)	-	-	-	-	-	-	-	-	-		504		504

Regulation 21 – cont.

Notes on the figures represented in the tables:

(1) **Mr. Gilad Meirson** - serves as the Executive Chairman of the Board of directors of Ithaca. Mr. Meirson's annual salary from Ithaca is GBP 500 thousand. Mr. Meirson was eligible for an annual bonus in accordance with the Ithaca's compensation policy. He is also entitled to receive ancillary social benefits, such as insurances and reimbursement of expenses, in accordance with the customary terms for managers at Ithaca.

Mr. Meirson has an options agreement for 0.2% of Ithaca shares, which vested in full at the date of Ithaca's issuance. As at the publication date of the report, Mr. Meirson exercised all of the options. Shortly before the issuance date, Mr. Meirson received a bonus of GBP 50 thousand for his contribution to the Ithaca's issuance process.

Mr. Meirson received an annual bonus of USD 1 million for 2021 (paid in 2022) and a bonus of USD 1 million for 2022 (paid in 2023). Furthermore, in 2023 Mr. Meirson was paid a success-based bonus in respect of settlement of a claim by Ithaca in the amount of approx. USD 832 thousand.

In July 2021, Mr. Meirson was allotted shares, which were converted into approx. 1.8 million Ithaca shares in the IPO.

According to the allocation terms and conditions, in certain cases, Mr. Meirson will be entitled to a bonus in the amount of USD 8 million instead of the shares allotted under the equity plan. In December 2023, Mr. Meirson was paid USD 8 million in lieu of the shares allotted under the said plan.

Subsequent to the Financial Position Report Date, an annual bonus for 2023 in the amount of approx. GBP 449 thousand was approved for Mr. Meirson, half of which will be paid in cash and half by a share-based payment.

(2) **Mr. Yossi Abu** - serves as CEO of NewMed Energy Management Ltd. (hereinafter - "**NewMed Management**" or the "**General Partner**"), since April 1, 2011. As from January 1, 2022, the Partnership bears the full cost of his employment (100%), instead of the general partner.

On September 28, 2022, the Compensation Committee and the board of directors of NewMed resolved to approve revised terms of office and employment for Mr. Abu, after the general meeting of the Partnership resolved not to approve them and after they were rediscussed. Accordingly, the terms of office and employment of Mr. Abu are as follows (hereinafter in this section - the "**Terms of Office and Employment**"): the monthly salary of Mr. Abu amounts to approx. NIS 208 thousand (100%) (the salary is revised every 3 months in accordance with the CPI). In accordance with the terms of his employment, (hereinafter in this section - the "**Employment Agreement**"), Mr. Abu was eligible to standard social benefits, study fund, pension plan, annual leave pay (including an option for redeeming leave days), sick leave, and convalescence pay. The Partnership provides Mr. Abu with a company car as is standard for his position and bears all the expenses involved in the use of the car. The value in use of the company car is grossed up by the Partnerships. Mr. Abu is also entitled to related benefits, such as his inclusion in insurance arrangements, exemption and indemnification of officers, communication expenses (cellphone, internet, newspapers, and payment of expenses for reasonable use of his telephone at home), medical tests, private health insurance at the Partnership's expense, participation in professional courses, severance (it should be noted that, as from 2016, Mr. Abu is not subject to Section 14 of the Severance Pay Law, 1963, therefore the severance to which he is entitled is in accordance with the Law), loans from the Partnership, reimbursement of expenses for the purpose of fulfilling his role, and per diem for overseas travel on behalf of the Partnership. The Partnership is entitled to grant Mr. Abu an annual bonus for the preceding calendar year, provided that he was employed by the Partnership for at least 3 months in that year, as well as a special bonus, a retention bonus, and in the event of termination of his employment, an retirement bonus and retirement bonus, all in accordance with the compensation policy as amended from time to time. The parties may terminate the Employment Agreement at any time with 6 months' written notice. The employment agreement also contains provisions regarding confidentiality and a non-competition clause, for a period of 12 months.

On October 3, 2022, Mr. Abu was allotted, without consideration, 3,295,599 non-marketable options representing approx. 0.28% of the issued and paid-up capital of the Partnership's participation units (fully diluted). The options will vest in 3 equal annual tranches, starting from the allotment date. The exercise price of the first tranche is 866 agorot, equal to the average closing price of the participation units on the Tel Aviv Stock Exchange Ltd. at the end of the 30 trading days preceding the date of the allotment, and the exercise price of the two remaining tranches will increase by 5% every year compared with the prior year. The value of the annual benefit arising from the allocation of the options, meaning, the economic value of the options at the award date, divided by 3, will not exceed NIS 3,300 thousand. According to the valuation that the Partnership received, the financial value of the options at the date of the allotment amounted to approx. NIS 9.8 million, calculated using the Binomial model.

It should be noted that according to the previous officers compensation policy of the Partnership and the general partner, which was approved in the special general meeting of holders of participation units on July 10, 2019, as amended from time to time (hereinafter - the "**Partnership's Previous Compensation Policy**"), and Mr. Abu's previous employment agreement, Mr. Abu was allocated 2,742,231 phantom units, whose base asset is a participation unit that grants participation rights in the interests of NewMed Energy Trusts Ltd. (hereinafter - the "**Limited Partner**" or the "**Trustee**", and the "**Phantom Options**", respectively), that were exercisable in 3 tranches until June 1, 2023.For details regarding the terms and conditions of the Phantom Options, see Regulation 21(a)(1) to Chapter D in the Company's Periodic Report for 2021, published on March 30, 2022 (Ref. No. 2022-01-038020). Accordingly, on May 21, 2023 Mr. Abu exercised all of the Phantom Options at an exercise price (adjusted to distribution of profits and tax advances until 2021, inclusive) of NIS 7.82 per share for the first tranche; NIS 8.36 per share for the second tranche; and NIS 8.92 per share for the third tranche. The total consideration received by Mr. Abu for exercising the Phantom Options amounted to approx. NIS 7,345.5 thousand, of which approx. NIS 1,179 thousand was paid by the general partner for the part of the exercise consideration attributable to the period preceding January 1, 2022, and approx. NIS 6,166.5 thousand was paid by the Partnership for the period subsequent to January 1, 2022, in accordance with the date of entry into effect of the management arrangement, as specified in Section 1.7.20 in Chapter A above.

In accordance with the terms of tenure and employment, in 2023 Mr. Abu received an annual bonus of approx. NIS 2,932 thousand for 2022, under Partnership's Previous Compensation Policy, based on the following components:

(a) Business target-based component (40%) - Mr. Abu complied with the business targets below, and was therefore entitled to an amount of approx. NIS 1,268 thousand for this component: entry into oil assets in Morocco, entry into the renewable energies segment; contribution to promoting the matter of corporate governance and gender equality in the Partnership (ESG); the ability to distribute profits that do not fall below USD 100 million; natural gas orders from the Leviathan project by Dolphinus in an annual volume of at least 90% of the annual quantity under the Export Agreement to Egypt; (b) component dependent on the following quantitative tests (35%) - (1) change in adjusted net income (0%); (2) making investments/investment decisions (27.5%): actual investments by the Partnership in an oil asset of no less than USD 50 million or alternatively a FID in an oil asset in an amount exceeding USD 300 million (100%), all excluding investment in exploration drillings. Mr. Abu complied with this indicator for actual investments by the Partnership in an oil asset in an amount of no less than USD 50 million, and therefore, he was entitled to an annual bonus of approx. NIS 872 thousand for this indicator; (3) fund raising/signing of natural gas sale agreements/export agreements (7.5%): fund raising when the Partnership's share is no less than USD 200 million or alternatively signing of binding gas sale agreements in a volume exceeding 25 BCM or alternatively signing of export agreements. Mr. Abu failed to comply with this indicator and was, therefore, not entitled to an annual bonus for it; and (c) component based on the board of directors' discretion (25%) - a total of approx. NIS 792 thousand.

(3) **Mr. Alan Bruce** - served as CEO of Ithaca from January 1, 2022 to January 4, 2024. The annual salary of Mr. Bruce from Ithaca is GBP 400 thousand. Mr. Bruce is eligible for an annual bonus based on the discretion of the board of directors of Ithaca. He is also entitled to receive ancillary social benefits, such as insurances and reimbursement of expenses, in accordance with the customary terms for managers at Ithaca.Mr. Bruce had an option agreement for 0.2% of Ithaca shares, of which 40% vested at the date of his retirement. According to the retirement agreement, Mr. Bruce will be entitled to exercise the vested options.

In 2022, Mr. Bruce was paid an annual bonus of GBP 82 thousand for 2021 and shortly before the date of the Ithaca issue in November 2022, he was also paid a bonus of GBP 50 thousand for his contribution to the Ithaca issuance process. In 2023, Mr. Bruce was paid an annual bonus of approx. GBP 156 thousand, and subsequent to the balance sheet date, an annual bonus for 2023 in the amount of approx. GBP 359 thousand was approved for him, half of which will be paid in cash and half by a share-based payment; he was also paid approx. GBP 145 thousand in respect of a dividend on options which vested into shares but were not exercised.

(4) **Mr. Idan Wallace** - serves as CEO of the Company since January 1, 2020. Under the employment contract between Mr. Wallace and the Company, dated January 1, 2020, as approved by the competent organs of the Company, Mr. Wallace serves as CEO in a full-time position. Under the contract, his employment is for an indefinite term commenced on January 1, 2020. Either party may terminate the employment at any time with 6 months' prior written notice. In any event of termination of his employment, the CEO will be eligible for an retirement bonus equivalent to 6 monthly salaries (gross). The Company may waive his employment for the prior notice period and terminate the relationship immediately, provided that it pays the CEO the full compensation he would have received for the prior notice period. On December 28, 2023, the general meeting of the Company approved a revised compensation policy, effective as of its approval date; it also approved an update to Mr. Wallace's salary, according to which the CEO's gross monthly salary will be NIS 200 thousand per month. The base salary is linked (upwards only) to the CPI for December 2023, and will be revised accordingly, once every three months. The CEO is eligible to receive social benefits, perks and ancillary terms to his salary, as customary for managers in the Company and in accordance with the Compensation Policy, including contributions for executive insurance and/or pension fund, contributions for advanced education fund; company car (inclusion of full tax) and all expenses involved in its use; communications costs (mobile phone, internet, newspapers); annual leave, convalescence pay; letters of exemption and undertaking of indemnification as is customary in the Company, and to be covered by the officers' insurance as customary in the Company. He is also eligible to receive reimbursement of expenses incurred as part of and for the purpose of fulfilling his role, including per diem expenses (as well as overseas travel expenses). He is also eligible to receive an annual bonus that will be fixed each year based on measurable indicators and at the discretion of the Board of Directors, in accordance with the provisions of the Compensation Policy. In 2023, subsequent to approval by the Company's Compensation Committee, Mr. Wallace was paid bonuses as follows: an annual bonus of NIS 1,547 thousand under the compensation plan for 2022, a special bonus of approx. NIS 1,437 thousand for 2022 that exceeds the compensation plan, and a special bonus of USD 460 thousand, which was fully paid to the Company by Ithaca, after the above special bonuses were approved in the Company's general meeting on May 9, 2023. Subsequent to the Financial Position Report Date, on February 26, 2024, the Company's Board of Directors approved for Mr. Wallace, after approval by the Compensation Committee, an annual bonus, in accordance with the Company's Compensation Committee, of approx. NIS 3,770 thousand in respect of 2023, in addition to a special discretionary bonus of approx. NIS 516 thousand paid during 2023 in accordance with the Compensation Policy.

(5) **Mr. Tamir Polikar** - has served as Deputy CEO and CFO of the Company since August 1, 2020, under a service agreement between the Company and Mr. Polikar and a company under his control, (hereinafter - the "**Management Company**") dated July 23, 2020 (hereinafter in this section - the **"Agreement"**). Under the Agreement, for the first year of the Agreement the monthly management fees amounted to NIS 145 thousand and as of the second year onwards (and as at Reporting Date) the monthly management fee is approx. NIS 195 thousand, plus duly added VAT against a lawful tax invoice. The management fees are linked to the rise in the consumer price index and will be updated every month (for positive index only).The management fees also include payment for up to 22 working days per year during which the Company will not receive management services from Mr. Polikar, and also in the event that the management services are not provided fore a cumulative period of up to 18 working days per year, should Mr. Polikar be ill. The Management Company is entitled to an annual bonus in accordance with the Company's compensation plan. The Company moved to include Mr. Polikar, and the Management Company, under the Company's customary insurance arrangements. In addition, Mr. Polikar is eligible for reimbursement from the Company for expenses incurred in Israel and/or abroad and in accordance with its general policy on this matter, as well as car expenses and the cost of use of mobile phone which will be paid and grossed up by the Company. Each party may terminate the contract with written prior notice of three months to the other party. In the event of termination of the agreement from the beginning of the second year and until the end of the second year of the agreement, the Management Company will be entitled to an retirement bonus in an amount equivalent to 4 monthly management fees, with the addition of VAT, in addition to the prior notice; in the event of termination of the Agreement from the beginning of the third year, and onwards, the Management Company will be eligible for an retirement bonus equivalent to 6 monthly management fees, with the addition of VAT, in addition to the prior notice. The Agreement also contains clauses on copyright protection, confidentiality and non-competition of the CEO for three months from the date of termination of the agreement. In 2023, Mr. Polikar was paid an annual bonus under the Company's compensation plan, of approx. NIS 1,172 thousand in respect of 2022, as well as a bonus of approx. NIS 423 thousand that was paid in full by Ithaca. Immediately prior to the approval date of the Periodic Report for 2023, the Board of Directors approved for Mr. Polikar, after approval by the Compensation Committee on March 24, 2024, an annual bonus, in accordance with the Company's compensation plan, of approx. NIS 1,200 thousand in respect of 2023.

(6) **Ms. Leora Pratt Levin** - Ms. Pratt Levin serves as Executive VP, Chief Legal Counsel and Company Secretary of the Company since 2007. Under Ms. Pratt Levin's employment contract, she is eligible for a monthly salary linked to the consumer price index. Ms. Pratt Levin's monthly salary was adjusted over the years and as at March 2024, her salary amounts to approx. NIS 123 thousand. Ms. Pratt Levin is also eligible for an annual bonus in accordance with the Company's compensation plan. Ms. Pratt Levin is also entitled to insurance under the Company's officers insurance policy, exemption of liability and indemnification arrangements as customary in the Company, as well as vacation pay, annual leave, sick leave, contributions for pension savings and study fund, mobile phone and company car as generally accepted for an executive VP of the Company. The Company bears all expenses incurred for the maintenance of the car. The employment contract also includes Ms. Pratt Levin's undertaking to maintain confidentiality and a non-compete clause during her employment at the Company and for three months after termination of her employment at the Company. In 2023, Ms. Pratt Levin was paid an annual bonus under the compensation plan, of approx. NIS 941 thousand in respect of 2022, as well as a bonus of approx. NIS 423 thousand that was paid in full by Ithaca. Immediately prior to the approval date of the Periodic Report for 2023, the Board of Directors approved for Ms. Pratt Levin, after approval by the Compensation Committee on March 24, 2024, an annual bonus, in accordance with the Company's compensation plan, of approx. NIS 1,000 thousand in respect of 2023.

Loans: under loan agreements of June 2005 and December 2007, Ms. Pratt Levin received in 2006 and 2007, respectively, loans in a total amount of approx. NIS 1,032 thousand for acquiring securities of the Company and of its investees. These loans are linked to the CPI and bear annual interest of 4%. Under the loan agreement, the securities acquired with the loan moneys, were deposited as security for repayment of the loans. Ms. Pratt Levin is entitled to sell the collateral provided that the proceeds for the sale will be transferred to the Company to repay the balance of the non-recourse loan. The loan repayment date was extended a few times over the years. The outstanding balance of the loan principal as at December 31, 2023 is approx. NIS 3 million.

(7) **Mr. Ehud Erez** - is the Chairman of the Board of the Company since April 1, 2022. Serves as a director with accounting and financial expertise in the Company as of July 1, 2020. On May 24, 2022, subsequent to approval of the Compensation Committee, the Company's board of directors approved the Company's agreement with Mr. Erez, regarding his terms of his office and employment as the Company's Executive Chairman of the Board as of April 1, 2022, under Regulation 1B4 of the Companies Regulations (Exemptions for Interested Party Transactions), 2000 since Mr. Erez provides consulting services as Chairman of the Board of Elad Group - a privately-held foreign company owned by the Company's controlling shareholder

On May 9, 2023, the general meeting of the Company approved the service terms of Mr. Erez as Chairman of the Company's Board, as detailed below, as from the start date of his term in office, and also approved the award to Mr. Erez of an annual bonus of NIS 800 thousands in respect of 2022.

According to the terms of engagement, Mr. Erez serves in a 50% position. The monthly salary under the agreement is approx. NIS 60 thousand linked to the CPI (as at March 2024, Mr. Erez's salary is approx. NIS 64 thousand). 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. Mr. Erez is entitled to convalescence pay, annual vacation leave, sick leave, contributions to advanced education fund, reimbursement of job-related expenses, mobile phone and a company car including maintenance and operating costs. He is also entitled to insurance under the Company's officers insurance policy, exemption of liability and indemnification arrangements as customary in the Company. Under the agreement, each party is entitled to terminate it with a three-month advance notice. In case of termination of employment by the Company, Mr. Erez will be entitled to a termination bonus totaling six monthly salaries. Under special circumstances, the Company may terminate the agreement effective immediately, without a termination bonus. As of shortly before the approval date of the Periodic Report for 2023, the Company's board of directors approved, after the approval of the Compensation Committee on March 24, 2024, an annual bonus for Mr. Erez, under the Company's compensation plan in the amount of NIS 800 thousand for 2023.

(8) **Mr. Yair Neuman** - Mr. Neuman provides services as a consultant to the Company since August 1, 2021 on capital/debt raising and mergers in the Company, and in August 2023, he was appointed as VP Business Development in the Company. Mr. Neuman serves as a VP in the same scope as a 50% position. The monthly consultation fee in 2023 was approx. NIS 60 thousand, plus duly added VAT against a lawful tax invoice.Each party may terminate the agreement with written prior notice of at least 30 days to the other party. The agreement also contains responsibility, compensation, confidentiality and intellectual property provisions. Mr. Neuman also provides services to the Company's controlling shareholder and the engagement with him is in accordance with the Company's negligible transactions procedures, as specified in Chapter C of the Board of Directors' Report. In 2023, Mr. Neuman received an annual bonus under the compensation plan in the amount of approx. NIS 250 thousand for 2022 and a bonus of NIS 120 thousand for 2021. As of shortly before the approval date of the Periodic Report for 2023, the Company's board of directors approved, after the approval of the Compensation Committee on March 24, 2024, an annual bonus for Mr. Neuman, under the Company's compensation plan in the amount of NIS 400 thousand for 2023; it also approved for Mr. Neuman a management fees raise, totaling NIS approx. NIS 86 thousand, in effect as of January 1, 2024.

(9) **Mr. Yitzhak Sharon Tshuva** - Director and controlling shareholder of the Company. Mr. Tshuva did not receive a salary and/or directors' compensation in 2023 for his position as director in the Company, and he is entitled to reimbursement of expenses in accordance with the arrangement approved in the general meeting of the Company, as specified in Section A1 to Regulation 22 below. It is noted that, according to the decision of the Compensation Committee meeting and of the Company's Board of Directors on November 21, 2023, it was decided to authorize an annual compensation and a compensation for participation to Mr. Tshuva, at the maximum amount stipulated in the Second Addendum and in the Third Addendum to the Companies Regulations (Rules Regarding the Compensation and Expenses of an External Director), 2000, due to his service as a director and in accordance with Regulation 1B(3) of the Companies Regulations (Expedients in Transactions with an Interested Party), 2000, as outlined in Section A1 to Regulation 22 below.

(10) **Independent director**

Mr. Roni Milo - independent director. He is eligible to receive an annual compensation and participation compensation in amounts equivalent to the maximum amount fixed in the Second and Third Schedules to the Compensation Regulations. The total compensation paid to Mr. Milo in 2023 amounts to approx. NIS 217 thousand (excluding VAT).

(11) **External directors**

Mr. Shimon Doron - serves as an external director. He is eligible to receive an annual compensation and participation compensation in amounts equivalent to the maximum amount fixed in the Second and Third Schedules to the Compensation Regulations. The total compensation paid to Mr. Doron in 2023 amounts to approx. NIS 217 thousand (excluding VAT)

Ms. Ruthy Dahan Portnoy - serves as an external director of the Company. She has accounting and financial expertise, is eligible for the expert compensation, according to the maximum amount for an expert external director as provided in the Fourth Addendum to the Compensation Regulations. The total compensation paid to Ms. Portnoy in 2023 amounts to approx. NIS 287 thousand (excluding VAT).

(12) **Further information regarding the compensation Policy**

Pursuant to the requirements of Amendment 20 to the Companies Law, 1999, the Company instituted a compensation policy for the Company's officers. In accordance with the compensation policy approved on February 1, 2021 by the Company's general meeting,[1] according to which compensation was paid for 2022 (hereinafter - the "**Previous Compensation Policy**"), subject to compliance with the preconditions that were set, the Company's officers will be eligible for an annual bonus that will not exceed NIS 800 thousand with respect to the Chairman of the Board of Directors, 9 monthly salaries with respect to the CEO and senior executives and 6 monthly salaries for other officers. The annual bonus will be made up of measurable goals with regard to the performance of the Company and its investees (hereinafter - the "**Measurable Goals**") and a discretionary bonus component based on a performance assessment regarding the fulfillment of duties and performance in a bonus year. The Measurable Goals, including their composition and

[1] For further detail regarding the Previous Compensation Policy, see the immediate reports issued by the Company on December 24, 2020 (Ref. No: 2020-01-139893), January 25, 2021, (Ref. No.: 2021-01-010980), and February 1, 2021, (Ref. No.: 2021-01-013030).

weight in the bonus formula, and the rate of compliance with them, will be determined annually by the Company's Board of Directors, on the recommendation of the Compensation Committee, all subject to the maximum limits and restrictions set in the Previous Compensation Policy. The plan also includes a signing/retention bonus, which shall not exceed three salaries and a special bonus of up to six salaries for special activity. In respect of the bonuses for 2022, paid in 2023, the Compensation Committee and Board of Directors set two threshold targets and eight measurable targets for the bonus, based on parameters of returns per share compared to the TA 125 index, net financial debt, yield on redemption of Debentures, issuer rating, improvement of NAV, closure of the equity transaction in Ithaca, compliance with the main targets of Ithaca's work plan and the business targets of NewMed Energy's work plan, according to the weight allocated to each target. In 2022, the rate of fulfillment of the goals of all the companies was 120%; accordingly, the officers are entitled to a maximum bonus according to the limit set for a performance-based bonus (67% of the bonus limit). Furthermore, following the Compensation Committee's recommendation, the Company's Board of Directors approved a discretionary bonus to officers of 33% of the maximum bonus. The Chairman of the Board is entitled to a bonus at the maximum amount set under the compensation plan, based on compliance with the Company's indices set for him.

On December 28, 2023, the general meeting of the Company approved a revised compensation policy[2] (hereinafter - the "**Revised Compensation Policy**"); in addition, the general meeting also approved a revision to the Company CEO's service terms and the Chairman of the Board's bonus plan.

In accordance with the New Compensation Policy, the Company's officers will be eligible for an annual bonus that will not exceed NIS 800 thousand with respect to the Chairman of the Board, a cost of 15 monthly salaries for the CEO, a cost of 12 monthly salaries for senior officers and a cost of 9 monthly salaries for other officers. Officers could also be entitled, in addition to the said maximum bonus amounts, to a signing or retention bonus (as the case may be) of up to three monthly salaries; to a special discretionary bonus equal to the cost of up to 3 monthly salaries for the CEO and the cost of 6 monthly salaries for other officers, to payments from the subsidiaries - all in accordance with the New Compensation Policy. In respect of the bonuses for 2023, payable in 2024, the Compensation Committee and Board of Directors set two threshold targets and eight measurable targets for the bonus, based on parameters of returns per share compared to the TA 125 index, return on equity, yield to maturity of Debentures, issuer rating, improvement of NAV, compliance with the main targets of Ithaca's work plan and the business targets of NewMed Energy's work plan, according to the weight allocated to each target. In 2023, the rate of fulfillment of the company-level targets was 133%; accordingly, the officers are entitled to 100% of the bonus ceiling. The Chairman of the Board is entitled to a bonus at the maximum amount set under the compensation plan, based on compliance with the Company's indices set for him.

Waiver, Indemnification and Insurance for Officers

For information regarding waiver, indemnification and executive insurance see Regulation 29[A](4) below.

Regulation 21A: Control of the Company

The controlling shareholder of the Company is Mr. Yitzhak Sharon (Tshuva), who holds approx. 49.52% of the equity and approx. 49.52% of the voting rights in the Company and approx. 49.48% of the equity, fully diluted, and approx. 49.48% of the voting rights in the Company, fully diluted.

Regulation 22: Transactions with a controlling shareholder

The controlling shareholder who has a vested interest in all the engagements set forth under Regulation 22 below is Mr. Yitzhak Sharon (Tshuva). The vested interest of Mr. Yitzhak Sharon (Tshuva) arises from the fact that these engagements are with companies under his control, or with his relatives.

[2] For further details concerning the Company's Revised Compensation Policy, see the immediate reports issued by the Company on November 22, 2023 (Ref. No: 2023-01-126975), and on December 28, 2023, (Ref. No.: 2023-01-143049).

A. <u>Transactions specified in Section 270 (4) of the Companies Law</u>

1. <u>Engagement with</u> Mr. **<u>Yitzhak Sharon Tshuva</u>:**

The controlling shareholder of the Company, who serves as a director in the Company, contributes his time, experience and vast expertise to advancing the businesses and interests of the Company and its subsidiaries in Israel and abroad, as requested by the Company's management.

On December 31, 2023, the last extension period of Mr. Tshuva's expense reimbursement mechanism was expected to expire (hereinafter - "**Mr. Tshuva**") originally authorized on January 6, 2016, by the general meeting of the Company's shareholders, expired; for further details, see the immediate reports dated November 26, 2015 (Ref. No.: 2015-01-166089), September 12, 2021 (Ref. No.: 2021-01-078370), and October 17, 2021 (Ref. No.: 2021-01-156735), included herein by way of reference.

On December 28, 2023, the General Meeting approved, following approval by the Compensation Committee and the Company's Board of Directors on November 21, 2023 the extension of the reimbursement and payment of expenses to Mr. Tshuva, for an additional period of three years commencing on January 1, 2024, during which Mr. Tshuva will be entitled to payment of his expenses by the Company and/or to reimbursement of expenses that have been incurred and shall be incurred by him in connection with said activity. The foregoing payment and expense reimbursement mechanism includes an exhaustive list of the types of expenses permitted and does not include a fixed maximum amount of the expenditure. The expenses will be reviewed according to nature, and accepted control and supervision mechanisms will be set up for reviewing the necessity of the reimbursed expenses. For further information see the immediate reports issued by the Company dated November 22, 2023 (Ref. No.: 2023-01-126975), and December 28, 2023, (Ref. No.: 2023-01-143049). The information appearing therein is noted here by way of reference.

Furthermore, at the Company's Compensation Committee meeting and Board of Directors meeting on November 21, 2023, it was decided to authorize an annual compensation payment and a compensation for participation to Mr. Tshuva, at the maximum amount stipulated in the Second Addendum and in the Third Addendum to the Companies Regulations (Rules Regarding the Compensation and Expenses of an External Director), 2000, as from 2024, due to his service as a director and in accordance with Regulation 1B(3) of the Companies Regulations (Expedients in Transactions with an Interested Party), 2000, as is the case for the other members of the Company's board of directors.

In 2023, the Company paid approx. NIS 219 thousand for reimbursement of expenses (including reimbursement in the amount of approx. NIS 62 thousand for 2022) and he is also entitled to reimbursement in the amount of approx. NIS 106 thousand for 2023, which has yet to be paid.

B. <u>Transactions not specified in Section 270 (4) of the Companies Law</u>

1. <u>Rental of offices</u>

As of September 2016, the Company's head offices are located in a building owned by the Company in Herzliya. For further information see Section 1.10.1(a) to the Report (hereinafter - the "**Offices**"). The controlling shareholder and private companies under his control rent office space in the Offices.

On December 18, 2016 the Company's Audit Committee approved the engagement in a lease agreement to rent offices to a private company controlled of the Company's controlling shareholder (hereinafter - the "**Lessee**"), at fair market value, based on an opinion prepared by an independent real estate valuation firm for determining the basis for appropriate rental for the rented space. The term of the lease is from September 19, 2016 through September 18, 2021 and includes an option to extend for a further two terms, ending on September 18, 2031. The Lessee notified the Company of the exercise of the first option period by September 18, 2026 (hereinafter - the "**First Option Period**"). The monthly rental fee is based on the size of the leased offices and on the proportionate size of the public spaces. According to the above, the rental fee per sq.m paid by the Lessee is between NIS 80-85 (depending on which floor) and NIS 40 per sq.m. for a storeroom. The rental is linked to the CPI. The rental increased by 7% in the First Option Period. In addition, the Lessee pays a monthly management fees for the office and public spaces of NIS 15 per sq.m. and NIS 7.5 per sq.m. for the storeroom, and an additional monthly payment for the rental of parking spaces of between NIS 500-700 per parking space. In 2023, the Lessee was charged an amount of approx. NIS 611 thousand (before VAT) for rental and management fees for 2023. It is noted that, pursuant to a resolution adopted by the general meeting concerning the reimbursement of expenses to the controlling shareholder, as set out in Section 1A of Regulation 22 above, the Company provides the controlling shareholder with office space, which is not included in the calculation of the leased space. In addition, accounts are also settled between the Company and the Lessee regarding ongoing expenses involved in maintaining the offices, such as municipal taxes, electricity, office cleaning, refreshments, etc.

2. **Engagement with Ms. Carmit Sharon Elroy:**
   (a) Ms. Carmit Elroy, daughter of the controlling shareholder, serves as a director of Delek Israel. In respect of 2023 (including the fourth quarter of 2022), Ms. Elroy was paid an amount of NIS 45 thousand for her service as a director of Delek Israel.
   (b) Ms. Carmit Elroy serves as a director of Delek Foundation for Science, Education and Culture (Public Benefit Company), and does not receive compensation.
3. **Engagements with Ms. Keren Eldar:**
   Ms. Keren Eldar, the daughter of the controlling shareholder of the Company, serves as a director of Delek Foundation for Science, Education and Culture (Public Benefit Company), and does not receive compensation.
4. **Negligible transactions:**
   Apart from the transactions described above, there are additional agreements that were in effect during the reporting year and which are classified as negligible transactions as defined in Chapter C of the Board of Directors report, as follows: The employment of officers of the Company who provided services to private companies owned by the controlling shareholder of the Company; transactions for providing Delek Israel's Dalkan services.

Regulation 24: Shares and other securities held by interested parties and executive officers of the Company, in the Company itself, in its subsidiaries and its affiliates, as at December 31, 2023.

For information regarding the holdings of the Company's shares and debentures by its interested parties and executive officers, and for the holdings of interested parties in the shares or other securities of the Company's material investees, see the Company's immediate report regarding the status of the holdings of interested parties and officers dated January 7, 2024 (Ref. No: 2024-01-003231), included herein by way of reference.

Regulation 24A: Registered and issued share capital

Authorized share capital - The Company's registered share capital is NIS 28,000,000, divided into 26,000,000 ordinary shares of NIS 1 par value each, and 2,000,000 preferred shares of NIS 1 par value each.

Issued and paid-up share capital - The Company's issued and paid-up share capital as at December 31, 2023 constitutes 18,507,711 ordinary shares. The Company’s issued and paid-up share capital close to the report publication date is 18,508,376 ordinary shares of NIS 1 par value each.

Convertible securities: As of the report publication date, 80,619 options (Series 14) exercisable for ordinary shares of the Company (each Option (Series 14) will be exercisable for one ordinary share), from the date of their listing on the TASE through to April 14, 2024, against cash payment of an exercise price (adjusted for a dividend, bonus shares and rights) in the amount of NIS 334. Options (Series 14) are not linked to any index or currency.

Regulation 24B: The Company's Shareholder Register

For the registered shareholders of the Company see the Company's immediate report regarding the Company's equity and listed securities and changes therein dated March 26, 2024 (Ref. No. 2024-01-032361), included herein by way of reference.

Regulation 25A: Registered address

Address: 19 Abba Eban Blvd., Herzliya Email leorap@delek-group.com
Telephone: +972-9-8638444 Fax: +972-9-8854955
Website: www.delek-group.com

Regulation 26: **Directors of the company**

	Ehud Erez	***Yitzhak Sharon Tshuva***	**Roni (Ron) Milo**
Position in the Company:	Chairman of the Board of Directors	Director	Director
ID:	053615845	04340003	007538408
Date of birth:	August 14, 1955	July 7, 1948	November 26, 1949
Address for delivery of court documents:	5 Aluf Kalman Magen St., Tel Aviv.	19 Abba Eban Blvd., Herzliya.	26 King David Street, Tel Aviv
Citizenship:	Israeli, Canadian	Israeli	Israeli
Member of board of directors committees:	-	-	Committee for reviewing the financial statements, Compensation Committee and Audit Committee.
Independent director:	no.	no.	Yes. (Until March 31, 2024)
External director:	no.	no.	no.
If Yes, has accounting and financial expertise or professional qualifications:	yes.	-	-
If Yes, is an expert external director:[3]	-	-	-
Is he an employee of the Company, its subsidiaries, affiliates or of an interested party:	He provides consulting services as the chairman of the board of Elad Group -a foreign company owned by the controlling shareholder of the Company.	Controlling shareholders of the Company.	no.
Commencement of office:	April 1, 2022 (serves as a director in the Company since July 1, 2020)	September 18, 2014	April 1, 2015
Education:	BA Economics and Accounting, Hebrew University in Jerusalem, CPA.	-	LL.B, Tel Aviv University.
Occupation during past five years:	Director in various companies.	The controlling shareholder of public and private companies in the energy and real estate sectors.	Director in various companies.
Companies in which serves as a director (other than the Company):	Director in the following corporations: MRR Thirteen Limited, Extell Limited, Kalkan Capital Limited, Amos Luzon Development And Energy Group Ltd., Bikurey Hasade Ltd., Buligo Capital Ltd., Mydas Real Estate Investments Ltd., Carasso Real Estate Ltd., Mehadrin Ltd.	Ithaca Energy plc	Serves as chairman of the board in the following corporations: Ron Milo Management Services (2003) Ltd., Ron Milo Holdings Ltd., and Trans Israel.
Related to another interested party in the Company:	no.	Controlling shareholders of the Company	no.
Does the Company consider him as having accounting and financial expertise for compliance with the minimum number set for the board of directors under Section 92(a)(12) of the Companies Law:	yes.	no.	no.

[3] As the term is defined in Regulation 1 of the Companies Regulations (Regulations for Compensation and Expenses of an External Director), 2000.

	Shimon Doron	**Ruthy Dahan Portnoy**
Position in the Company:	External director	External director
ID:	056219181	024807927
Date of birth:	March 9, 1960	February 1, 1970
Address for delivery of court documents:	Hagai Street, Moshav Gan Yoshiya	41 Jabotinsky St., Givatayim
Citizenship:	Israeli	Israeli
Member of board of directors committees:	Committee for reviewing the financial statements, Compensation Committee and Audit Committee.	Chair of the committee for reviewing the financial statements, chair of the Compensation Committee and chair of the Audit Committee.
Independent director:	yes.	yes.
External director:	yes.	yes.
If Yes, has accounting and financial expertise or professional qualifications:	Director with professional qualifications.	Director with accounting and financial expertise.
If Yes, is an expert external director[4]	no.	yes.
Is he an employee of the Company, its subsidiaries, affiliates or of an interested party:	no.	no.
Commencement of office:	October 17, 2018	August 25, 2020
Education:	MA Political Science in International Relations, Open University.	MBA (Finance and Accounting), Hebrew University of Jerusalem and BA in Economics, Hebrew University of Jerusalem.
Occupation during past five years:	Owner of a strategic consulting company, Dynamic Teams Ltd. and a member of the budget committee at the World Zionist Organization in Jerusalem.	Founder and CEO of Risespot as from 2022, financial advisor for TMF - Tailor Made Finance companies and a director of various companies..
Companies in which serves as a director (other than the Company):	Director in The Pincus fund owned by the world Zionist Organization.	Director in Mishorim Real Estate Investments Ltd.; Israel Railways.
Related to another interested party in the Company:	no.	no.
Does the Company consider him as having accounting and financial expertise for compliance with the minimum number set for the board of directors under Section 92(a)(12) of the Companies Law:	no.	yes.

[4] As the term is defined in Regulation 1 of the Companies Regulations (Regulations for Compensation and Expenses of an External Director), 2000.

Regulation 26A: Senior officers in the Company

	Idan Wallace	*Tamir Polikar*	*Leora Pratt Levin*
ID:	033658246	059749408	57906919
Date of birth:	January 8, 1977	August 14, 1965	October 12, 1962
Commencement of office:	January 1, 2020	September 1, 2020 (August 1, 2020)	April 1, 2007
Position in the Company, its subsidiaries, affiliates or interested parties:	CEO of the Company. Director: Ithaca Energy PLC, NewMed Energy Management Ltd., Delek Energy Systems Ltd. And Mehadrin Ltd.	Deputy CEO and CFO of the Company and director of the following companies: NewMed Energy Management Ltd.; Delek Sea Maagan (2011) Ltd.; Delek Group Israel Holdings Ltd.; Delek Energy Systems Ltd.; Delek Power Plant Management Ltd.; Delek Petroleum Ltd.; Delek Infrastructures Ltd.; Delek Property Development Ltd.; Delek The Israel Fuel Corp., Delek Israel Properties (D.P.) Ltd.; Delek Leviathan Overriding Royalty Ltd.; Delek Hungary Ltd and Mehadrin Ltd. Observer on the board of directors of Ithaca Energy Plc.	Executive VP, Chief Legal Counsel and Company Secretary. A director in the following companies: NewMed Energy Management Ltd.; Delek Energy Systems Ltd.; Delek Group Israel Holdings Ltd.; Delek Sea Maagan (2011) Ltd.; Delek Power Plant Management Ltd.; Delek Infrastructures Ltd.; Delek Petroleum; Delek Property Development Ltd.; Delek Leviathan Overriding Royalty Ltd.; DKL Energy Limited; DKL Investments Limited; and Mehadrin Ltd.. Observer on the board of directors' committee of Ithaca Energy Plc.
Is he/she an interested party in the Company:	no.	no.	no.
Is he/she a family member of another senior officer or of an interested party in the Company:	no.	no.	no.
Education:	LL.B, Tel Aviv University.	BA Accounting, College of Management; MBA, Heriot Watt University, Certified Public Accountant.	BA Political Science, Tel Aviv University, LL.B, Reading University, UK.
Business experience in the past five years:	Served as EVP of Delek Group and a director and consultant to the Group and its subsidiaries. In the past, he served as CEO of the private companies in the Tshuva Group (through Tashluz Investments and Holdings), and as a director in Television News Co. Ltd. and Keshet Broadcasting Ltd.	Executive VP and CFO in the Company, real estate developer in Israel and abroad, business advisor, and director in companies. Serves as a director of Polikar Holdings Ltd.; Galipoli Real Estate Investments Ltd.; Briza Lgyrp Ltd. and Elysee Downtown Ltd.	Executive VP of the Company; Chief Legal Counsel and Company Secretary since 2007.

	Yair Neuman	*Lena Berenshtein*	*Gali Gana*
ID:	038127833	309800381	059674770
Date of birth:	January 17, 1986	February 12, 1975	June 2, 1965
Commencement of office:	August 22, 2023	February 1, 2022	January 1, 2016
Position in the Company, its subsidiaries, affiliates or interested parties:	CEO of private companies in Tshuva Group.	Chief Accountant of the Company.	Chief Internal Auditor of the Company and NewMed Energy Management Ltd.
Is he/she an interested party in the Company:	no.	no.	no.
Is he/she a family member of another senior officer or of an interested party in the Company:	no.	no.	no.
Education:	BA in Computer Science and Economics from Tel Aviv University; certified in Business Administration, specializing in Financing, from Reichman University.	He holds a BA in Economics from Tel Aviv University, CPA.	CPA, MBA specializing in Accounting and MA in Public Administration and Internal Auditing, CISA, CIA, CRMA, and CRISC.
Business experience in the past five years:	CEO of private companies in Tshuva Group from 2023 until now. Consultant on capital raising and mergers in the Company from 2021 until August 2023. VP Finance of private companies in Tshuva Group from 2021 until 2023. VP Finance in Discount Investments Ltd. in 2019-2021. VP Finance in IDB Development Company Ltd. in 2019-2020. Former director of Brinks Israel Ltd. and Epsilon Investment House.	Controller of the Company since May 2017.	A partner and CPA in Rosenblum Holtzman & Co., CPAs.

<u>Regulation 26A</u>: Senior Officers of Subsidiaries controlled by the Company, as defined in Section 37 of the Securities Law:

	Gilad Meirson	***Yossi Abu***	***Gabriel Last***
ID:	051892938	033840372	004787933
Date of birth:	March 26, 1976	December 7, 1977	September 9, 1946
Commencement of office:	November 4, 2019	April 1, 2011	May 17, 2001. As from January 8, 2020, serves as chairman of the board of directors and from April 1, 2022 as Executive Chairman of the Board of directors
Position in the Company, its subsidiaries, affiliates or interested parties:	CEO and director of the subsidiary, Ithaca Energy Plc.	CEO of NewMed Energy Limited Partnership, member of the joint Donation Committee, director of private SPCs of the Partnership, director of Med-Enlight General Partner (2023) Ltd. and Yes-Enlight General Partner Ltd., and limited partner of Yes-Enlight Holdings Limited Partnership, as specified in Section 1.7.11 in Part A of this report.	Active Chairman of the Board of NewMed Energy Management Ltd., member of the Partnership's Donation Committee, director of a SPC of the Partnership and director of Med-Enlight General Partner (2023) Ltd.
Is he/she an interested party in the Company:	no.	no.	no.
Is he/she a family member of another senior officer or of an interested party in the Company:	no.	no.	no.
Education:	BA in Computational Biology, Bar Ilan University.	LL.B, Hebrew University of Jerusalem; Attorney and member of the Israel Bar Association.	LL.B from Tel Aviv University; MA in Social Sciences and Mathematics from Haifa University; AMP (Advanced Management Program for executive officers) at Harvard University.
Business experience in the past five years:	CEO and director of the subsidiary, Ithaca Energy Plc. CEO of the subsidiary, DKL Investments Limited; Partner in McKinsey (2012-2017); VP Operations of Theramex (2018-2019).	CEO of the Partnership, member of the Partnership's Donation Committee, director of private SPCs of the Partnership and private companies which he owns, director of Med-Enlight General Partner (2023) Ltd. and Yes-Enlight General Partner Ltd., and limited partner of Yes-Enlight Holdings Limited Partnership. Former CEO of Delek Energy Systems Ltd.	Former Chairman of the Board of the Company from 2003 to March 31, 2022. Executive Chairman of the Board of NewMed Energy Management Ltd., member of the joint Donation Committee, director of Med-Enlight General Partner (2023) Ltd., director of an SPC of the Partnership and member of the management of various associations. Former director of subsidiaries of the Company, Chairman of the Board of Delek Foundation for Science, Education and Culture (Public Benefit Company).

(*) As at the report publication date, Mr. Alan Bruce ceased serving as Ithaca's CEO and CFO, and serves as acting CEO.
Ithaca is working towards appointing a permanent CEO.

Regulation 27: **The Independent Auditors of the Company:**

Brightman Almagor & Co., 132 Menachem Begin Avenue, Tel Aviv.

Regulation 28: **Amendments to the Articles of Association**

In the Reporting Year no amendments were made to the Company's Articles of Association.

Regulation 29: **Recommendations and resolutions of the board of directors.**

Regulation 29(a)(1): **Resolution on distribution of dividends**

Decision date	Dividend amount in NIS	Cash dividend per share (NIS)	Effective date of payment	Payment date
February 20, 2023	Approx. NIS 450 million	25.1857	March 2, 2023	March 15, 2023
May 30, 2023	Approx. NIS 200 million	10.8744	June 13, 2023	June 27, 2023
August 22, 2023	Approx. NIS 200 million	10.8069	September 5, 2023	September 19, 2023
November 21, 2023	Approx. NIS 250 million	13.5080	December 5, 2023	December 18, 2023

Regulation 29(a)(5): **Resolution on early redemption of debentures.**

(1) On January 22, 2023, the Company's Board of Directors resolved to execute a full and contingent early redemption at the Company's initiative of all outstanding Debentures (Series B31) and (Series B34) of the Company as at the effective date, February 12, 2023.
(2) On September 6, 2023, the Company's Board of Directors resolved to execute a partial early redemption, at the Company's initiative, of outstanding Debentures (Series B35), in a scope and quantity that reflects a liability value (principal plus interest) of NIS 316,891 thousand.
(3) On December 31, 2023, the Company's Board of Directors resolved to execute a full and contingent early redemption at the Company's initiative of all outstanding Debentures (Series B35) of the Company as at the effective date, January 21, 2024.

Regulation 29(c): Resolutions Adopted at a Extraordinary General Meeting

(1) On December 28, 2023, the general meeting of the Company resolved (a) to approve the New Compensation Policy for Company officers, which went into effect as of its approval; (b) to approve an update to the Company CEO's service and employment terms, which went into effect as of their approval; (c) to approve the bonus plan for the Chairman of the Board; (d) to approve the expense payment and reimbursement of expenses mechanism for Mr. Yitzhak Sharon Tshuva, the Company's controlling shareholder, who serves on its Board of Directors, from January 1, 2024 to December 31, 2026; all as specified in the immediate reports on convening the general meeting and its results dated November 22, 2023 (Ref. No.: 2023-01-126975) and December 28, 2023 (Ref. No.: 2023-01-143049). The information appearing therein is noted here by way of reference.
(2) On May 9, 2023, the general meeting of the Company resolved (a) to approve Mr. Erez's service terms as Chairman of the Board of the Company and to grant him an annual bonus in respect of 2022; (b) to approve reappointment of Ms. Ruthy Dahan Portnoy as an external director in the Company, for another three-year term of service from August 25, 2023; (c) to grant a special bonus to the Company CEO, which exceeds the Company's compensation policy, with respect to 2022, due to his special contribution to the Company during 2022; (d) to grant a special bonus to the Company CEO, which exceeds the Company's compensation policy, which will be paid to the Company in full by Ithaca; all as specified in the immediate reports dated April 3, 2023 (Ref. No.: 2023-01-038100) and May 9, 2023 (Ref. No.: 2023-01-049638). The information appearing therein is noted here by way of reference.

Regulation 29A - Company Resolutions

Regulation 29A(4) Exemption from insurance and indemnity for officers – valid at the date of the report:

1. Pursuant to the previous resolutions of the Company, the Company decided to grant senior officers an **exemption** regarding their liability for damages as a result of a breach of their fiduciary duty towards the Company, as set forth in the third section of the sixth part of the Companies Law and to **indemnify** them (according to and subject to the amendment adopted at the Company's extraordinary general meeting). The letter of indemnification complies with Amendment 3 of the Companies Law, 1999 and the Company's articles of association. Pursuant to the letter of indemnification, as the Company's articles of association include a provision allowing it to undertake in advance to indemnify an officer, provided the undertaking is restricted to the types of events that the board of directors anticipate in view of the Company's actual actions at the time of undertaking to indemnify, in an amount or scope determined by the board of directors to be reasonable under the circumstances, all on account of any liability or expenditure that shall be authorized at that time according to the law at the time the resolution is adopted, the company also undertakes to indemnify the officer for reasonable litigation expenses, including attorneys' fees, such that may be incurred as a result of an investigation or proceedings that shall take place against the officer by any authority certified to launch an investigation or proceeding and that has ended without filing charges against the officer and without a fine being imposed in lieu of criminal proceedings or that has ended without an indictment being filed against the officer, while imposing a fine in lieu of criminal proceedings in a felony that does not warrant the proof of criminal intent.
   In accordance with the New Compensation Policy brought for approval, the directors and officers may be eligible for letters of exemption under the Companies Law and as set out in the Company's Articles of Association, provided that for new officers who will be appointed to the Company after the date on which the policy is adopted, the letter of exemption will be state that the exemption does not apply for a decision or transaction in which the controlling shareholder or any officer of the Company (also an officer other than the one for whom the exemption is granted) has a vested interest.

2. **Insurance**:

A. In June 2020 the Company exercised its right under its insurance policy, which ended in June 30, 2020, to purchase runoff insurance that would cover events of professional liability for a further period of seven years applicable from July 1, 2020, in view of the dramatic adverse changes in the directors and officers liability insurance market, especially in the wake of the Covid-19 Crisis at the time. Under the foregoing extension, the former policy will continue to apply for claims filed during the runoff period for the first time due to events prior to the commencement of the runoff period of July 1, 2020, within the limit of liability under the previous policy, i.e., for a total amount of USD 150 million per claim and cumulatively (including the extended disclosure period of 7 years). The premium that is paid for the foregoing runoff period is approx. USD 1,520 thousand.

B. On June 28, 2022, the Company's Compensation Committee approved the renewal of the officers insurance policy from July 1, 2022 through June 30, 2023. The current new policy that was purchased had a limit of liability of USD 31 million per claim and cumulatively, with the addition of reasonable legal fees, at a premium of approx. USD 2.54 million and deductible of up to USD 500 thousand for the Company.On June 29, 2023, the Company’s Compensation Committee approved the renewal of the officers’ insurance policy from July 1, 2023 to June 30, 2024, with a liability limit of USD 60 million per claim and cumulatively, plus reasonable legal expenses, at an annual premium of approx. USD 1.59 million and a deductible of USD 500 thousand per claim for the Company, all according to the Company’s compensation policy, and according to Regulation 1B1 of the Companies Regulations (Exemptions for Interested Party Transactions), 2000.[5]

Delek Group Ltd.

Date of signature: **March 26, 2024**

Names and titles of the signatories:

Ehud Erez - Chairman of the Board
Idan Wallace - CEO

[5] For further details concerning the amendment to the Company’s New Compensation Policy, see the immediate reports issued by the Company on November 22, 2023 (Ref. No: 2023-01-126975), and December 28, 2023, (Ref. No.: 2023-01-143049). For further information concerning the amendment to the Company’s Previous Compensation Policy, see the immediate reports issued by the Company on December 24, 2020 (Ref. No: 2020-01-139893), January 25, 2021, (Ref. No.: 2021-01-010980), and February 1, 2021, (Ref. No.: 2021-01-013030).
In this context, it should be noted that on July 1, 2020, the Israel Securities Authority (hereinafter - "The Authority") published an update to its legal position regarding best practice compensation policy. As part of the update of its position, the Authority's staff changed its position that in order to use the relief under Section 1B1 of the Companies Regulations (Reliefs in Transactions with an Interested Party), 2000, the compensation policy must include reference to the nature of the policy (premium, framework for revising within three years, limits of liability and deductibles). In the revision of its position, the Authority noted that for the purpose of using the foregoing relief in 1B1, it is sufficient that the details given in the compensation policy include a reference to the scope of the insurance coverage, as long as the cost of the premium and the amount of the deductible comply with market conditions at the time the policy is drawn up, and the cost is not material to the Company.

Delek Group Ltd.

Annual Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure, Pursuant to Regulation 9B(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 Chief Executive Officer 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.

Management, under the supervision of the Board of Directors, performed an examination and evaluation of the internal control over financial reporting and disclosure in the corporation and its effectiveness;

The evaluation of the effectiveness of the internal control over the financial reporting and disclosure carried out by management - under the supervision of the Board of Directors - included the following: evaluation of the reporting and disclosure risks and determining what are the highly material processes of financial reporting and disclosure, and what are the relevant business units for evaluating the effectiveness of internal controls, mapping out and documenting the existing controls in the Company, evaluation of the effectiveness of the planning of the controls, analysis of the existing control gaps, evaluation of the operational effectiveness of the controls, and an overall evaluation of the effectiveness of internal control. The effectiveness evaluation model of the internal controls used by the Company was based on the following four components: Entity-level controls, the process of preparing and closing the financial statements, information technology general controls (ITGC) and processes that have been identified by management as highly material to financial reporting and disclosure: the cash management process and the debt management process of the Company. The highly material processes in the consolidated reports, which are managed in some of the material consolidated companies, are: the revenue cycle, and investment in exploration and production of oil and gas.

Based on the assessment of effectiveness that was performed by management under the supervision of the Board of Directors as described above, the Corporation's Board of Directors and management have concluded that the Corporation's internal control over financial reporting and disclosure as of December 31, 2023 is effective.

Certification by the CEO in accordance with Regulation 9B(d)(1):

Certification of Executives

Certification of the CEO

I, Idan Wallace, declare that:

(1) I have reviewed periodic report of the Delek Group Ltd. (hereinafter - the "**Corporation**") for 2023 (hereinafter – the "**Reports**");

(2) To my knowledge, the Reports do not contain any misrepresentation of a material fact, or omit a representation of a material fact that is necessary in order for the representations included therein - under the circumstances in which such representations were included - to be misleading as to the reporting period;

(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 consolidated companies 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) I have evaluated the effectiveness of internal control over financial reporting and disclosure, and have presented in this report the conclusions of the Board of Directors and management regarding the effectiveness of the said internal control as of the date of the reports.

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

March 26, 2024

____

Idan Wallace

CEO

Certification by the Most Senior Financial Officer pursuant to Regulation 9B(d)(2):

Certification of Executives

Certification by the Most Senior Financial Officer

I, Tamir Polikar, declare that:

(1) I have reviewed the interim financial statements and other financial information included in the reports of the Delek Group Ltd. (hereinafter - the "**Corporation**") for 2023 (hereinafter - the "**Reports**");

(2) To my knowledge, the financial statements and financial information do not contain any misrepresentation of a material fact, nor omit a representation of a material fact that is necessary in order for the representations included therein - under the circumstances in which such representations were included - to be misleading as to the reporting period;

(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 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 significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting and disclosure insofar as it relates to the financial statements and other financial information included in the Reports, that could reasonably adversely affect the Corporation's ability to collect, process, summarize or report financial information so as to cast doubt on the reliability of financial reporting and the preparation of the financial statements in accordance with 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) I designed such controls and procedures, or have ensured that such controls and procedures be designed under my supervision, to ensure that material information relating to the Corporation, including its consolidated companies as defined in the Securities Regulations (Annual Financial Statements), 2010, insofar as it is relevant to the financial statements and other financial information included in the Reports, is made known to me by others in the Corporation and the consolidated companies, particularly during the Reports' preparation period; and -

   (b) have established controls and procedures, or ensured that such controls and provisions under our 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) My assessment of the effectiveness of internal control over financial reporting and disclosure, insofar as it relates to the financial statements and other financial information included in the Reports as of the Reports' date; my conclusions regarding my aforesaid assessment have been presented to the Board of Directors and management and are included in this report.

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

March 26, 2024

Tamir Polikar
Executive VP and CFO