Delek Group

FINANCIAL STATEMENTS

UNAUDITED

AS OF SEPTEMBER 30, 2020

<u>IMPORTANT</u>

This document is an unofficial translation for convenience only of the Hebrew original of the September 30, 2020 financial report of Delek Group Ltd. that was submitted to the Tel-Aviv Stock Exchange and the Israeli Securities Authority on November 26, 2020.

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

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Chapter A

Corporate Description

Update of Chapter A (Description of the Company's Business) to the 2019 Periodic Report[1] of the Delek Group Ltd. ("the Company")

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

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

As of the publication date of this report 125,539 warrants (Series 9) have been exercised into Company shares for a total amount of NIS 9 million. For more information, see the Company's immediate reports of November 22, 2020 (ref. no. 2020-01-125385) November 23, 2020 (ref. no. 2020-01-125910), November 24, 2020 (ref. no. 2020-01-126606), and November 25, 2020 (ref. no. 2020-01-127224), included here by way of reference.

B. Referring to Section 1.6.6(h) to the Periodic Report - Economic Conditions and Impact of External Factors and Section 1.16 to the Periodic Report - Financing

1. Following on Section 3.2.3 to Chapter 1 in Part 1 to the Report for the First Quarter of 2020 and Section C in Chapter 1 of Part 1 to the Report for the Second Quarter of 2020, concerning the Company's plans to reduce its debt to various banks which have provided the Company and/or Delek Energy Systems Ltd. ("Delek Energy") credit facilities secured by lines on participation units in Delek Drilling Limited Partnership ("the Partnership"), and with a foreign bank which provided a loan o DKL Investment Limited ("the Relevant Banks") - On October 28, 2020, the Company announced that all of the Company's and Delek Energy's debts to the Relevant Banks had been repaid. For more information, see the Company's immediate report of October 28, 2020 (ref. no. 2020-01-117066), included herein by way of reference.

2. On November 3, 2020, Ithaca Energy Limited ("Ithaca") announced a dividend payout of USD 100 million to a Company subsidiary holding all of Ithaca's share capital. In accordance with the terms of the loan agreement with a foreign bank which provided the subsidiary holding all of Ithaca's share capital with a loan, this dividend was used for partial repayment of said loan, whose balance as of this date amounts to USD 37 million. The Company plans to use part of the consideration received from completion of the sale of shares in Delek the Israel Fuel Corporation Ltd. (see Section C.1 to Part 3 of this report below), to the amount of USD 30 million, to repay another part of said loan. Following such repayment, the balance of the loan will total USD 7 million. For more information, see the Company's immediate report of November 3, 2020 (ref. no. 2020-01-109564), and of November 10, 2020 (ref. no. 2020-01-121122), included herein by way of reference.

3. In the third quarter and as of the reporting date, the Company has repaid NIS 461 million in principal and interest payments on its debentures. For more information, see the Company's immediate reports of September 29, 2020 (ref. no. 2020-01-105600), November 1, 2020 (ref. no. 2020-01-117918), and November 10, 2020 (ref. no. 2020-01-121005), included here by way of reference.

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[1] The update contains material changes or developments in the Company's business in the third quarter of 2020 and up to immediately prior to the date of this report, in any matter requiring disclosure in the Periodic Report and which was not updated in the quarterly report for the first quarter of 2020, as published on June 30, 2020 (ref. no. 2020-01-061492)("the Report for the First Quarter of 2020") and the report for the second quarter of 2020, as published on August 31, 2020 (ref. no. 2020-01-096111)("the Report for the Second Quarter of 2020"). The update refers to the section numbers in Chapter A - Description of the Company's Business in the Periodic Report for 2019, as published on May 3, 2020 (ref. no. 2020-01-043356)("the Periodic Report") and supplements the content disclosed therein.

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

A. Energy operations in Israel

1. Referring to Section 1.7.1 – Securitization of Overriding Royalties from Leviathan

On October 28, 2020, the Company completed the issuance of USD 180 million in debentures to classified investors in Israel and abroad. The issuance was carried out by Delek Overriding Royalty Leviathan Ltd., a subsidiary SPC of Delek Energy. For more information, see the Company's immediate reports of October 8, 2020, October 25, 2020, October 26, 2020, October 28, 2020, and November 4, 2020 (ref. no. 2020-01-109698, 2020-01-115590, 2020-01-116241, 2020-01-117066, and 2020-01-110335, respectively), included herein by way of reference.

2. Referring to Section 1.7.1(c) – Holdings in Delek Royalties Shares

On September 13, 2020, Delek Energy signed an agreement with a third party to sell all of Delek Energy's holdings (39.3%) in Delek Royalties (2012) Ltd. ("Delek Royalties"), for a total consideration of NIS 46 million. For more information, see the Company's immediate report of September 13, 2020 (ref. no. 2020-01-100425), included herein by way of reference. In accordance with this agreement, upon its signature, th buyer bought from Delek Energy 12.3% of Delek Royalties' share capital, in cash, at a share price of 574.97 agorot per share, for a total amount of NIS 14 million. In th second stage, the buyer issued a special purchase offer at a price of 574.97 agorot per share. Delek Energy accepted the purchase offer so that, as per the offer subscription rate dated November 16, 2020, the percentage purchased from each offeree subscribing to the offer will be 74.39%. Thus, a total of 4,108,953 shares were purchased from Delek Energy, for a total consideration of NIS 23.6 million. Following completion of this purchase offer, Delek Energy holds 7.07% of Delek Royalties share capital, and its shareholdings do not grant any voting rights.

3. Referring to Sections 1.7.2(f), 1.7.4(j), and 1.7.5(k) to the Periodic Report - COVID-19 Epidemic and Possible Effects on the Partnership's Business

Following on the Periodic Report, Section 12.4 to the Company's shelf report of May 17, 2020 (ref. no. 2020-01-048828), Section A2 to Part 3 of the Report for the First Quarter of 2020, and Section A1 to Part 3 of the Report for the Second Quarter of 2020 concerning the COVID-19 epidemic and its possible effects on the Partnership's business and forecasts – The first quarter of 2020 saw sharp drops in global oil and gas prices, which the Partnership believes can be attributed to the COVID-19 epidemic, as well as other factors and circumstances affecting supply and demand for energy prices. From mid-March 2020 and until the end of the second quarter of 2020, demand shrank and so, accordingly, did sales of natural gas from the Leviathan and Tamar reservoirs ("the Reservoirs") as compared to the Partnership's previous forecasts. These forecasts were then updated in July 2020. As of the financial statements' approval date, it is not possible to estimate the COVID-19 epidemic's extent or duration. It is thus difficult to estimate, at present, the epidemic's impact on demand and sales from the Reservoirs in the coming years. However, it is noted that in the third quarter of 2020, sales from the Reservoirs were higher than the average sales in each of the first two quarters of 2020 (Tamar Reservoir – 2.4 BCM as compared to average sales of 1.7 BCM in each of the first two quarters of 2020; Leviathan Reservoir – 2.25 BCM, as compared to average sales of 1.54 BCM in each of the first two quarters of 2020). The Partnership estimates that this growth was due, among other things, to weather conditions. Should the COVID-19 epidemic continue, this may adversely affect the Partnership and undermine various aspects of its operations, including decreasing demand for energy products and lowering oil and gas prices on the global and domestic markets, lowering demand for natural gas in markets relevant to the Partnership, and damaging the Partnership's revenues from the Reservoirs. It may also undermine the financial strength of the Partnership's customers and partners. It is noted that, as of the approval date of the condensed interim financial statements, there has been no adverse effect on the Reservoirs' operations.

4. Section 1.7.3 to the Periodic Report - General Information on Operating Segments

For information concerning the Partnership's announcement concerning the completion of a merger between Noble Energy Inc. the parent company of Noble Energy Mediterranean Ltd. ("Noble") and Chevron Corporation, see the Company's immediate report of October 6, 2020 (ref. no. 2020-01-108687), included herein by way of reference.

5. Sections 1.7.7, and 1.7.30(l) to the Periodic Report - 405/Ofek Hadash License ("Ofek Hadash License")

Following on Section A3 to Part 3 of the Report for the Second Quarter of 2020, the operator in the Ofek Hadash License has updated the Partnership that, on October 29, 2020, it received approval from the Ministry of Energy's Oil Commissioner (in this Section - "the Commissioner") to change the deadlines for the Ofek Hadash License's work plan. This includes postponing the start of production tests in the Ofek Hadash License (in this Section - "the Production Tests") to December 15, 2020. However, the operator for the Ofek Hadash License updated the Partnership that, on November 10, 2020, it submitted to the Commissioner a request to update the deadlines for the work plan, including postponing the start of the Production Tests. As of the publication date of this report, the Commissioner's reply to the application has yet to be received. It is noted that, in September 2020, the partners in the Ofek Hadash License decided to participate in the Production Tests with a budget of between USD 10 million and USD 13 million (100%; Partnership's share - between USD 7.5 million and USD 8.5 million).

6. Section 1.7.9 to the Periodic Report - 367/Alon D License ("Alon D License")

Following on Section A4 to Part 3 of the Report for the Second Quarter of 2020, concerning a petition with the Supreme Court sitting as the High Court of Justice filed by the Partnership and Noble ("the Partners in the Alon D License") - it is noted that the petition has been scheduled to be heard on December 20, 2020.

Furthermore, the Partners in the Alon D License have submitted a bid in a competitive process issued by the Ministry of Energy on June 23, 2020 to grant an exploration license for natural gas and oil in Block 72, on which the Alon D License was located ("Block 72"). In this context, it is noted that, on October 21, 2020, the Partnership received a demand from the Competition Authority to provide information and documents concerning Block 72.

7. Referring to Sections 1.7.11 and 1.7.30(m) to the Periodic Report - Karish and Tanin Leases

For information on concerning an update by Energean plc (“Energean”) on the resources attributed to the Karish, Tanin, and Karish North reservoirs, see Note 5.J.1 to the financial statements below.

8. Referring to Section 1.7.14(d)(1)d22 to the Periodic Report - Dispute between the Partnership and Noble and the Other Tamar Partners

A. Following on Section A6 to Part 3 of the Report for the Second Quarter of 2020 - For information concerning the Partnership's and Noble's dispute with the other Tamar partners concerning the marketing of natural gas from the Tamar Reservoir, see the Company's immediate report of September 7, 2020 (ref. no. 2020-01-098682) concerning the Competition Authority's announcement whereby the Partnership and Isramco Negev 2 Limited Partnership are required to act to nullify their veto right, and the Company's immediate report of October 14, 2020 (ref. no. 2020-01-111951) concerning the Partnership's notice to the Competition Authority concerning its method for nullifying its veto right, included herein by way of reference. In this context, it is noted that the Tamar partners are conducting negotiations to formulate principles for separately marketing natural gas from the Tamar Reservoir. As of the publication date of this report, the Tamar partners had yet to reach agreements in this matter.

B. For information concerning an agreement signed between Israel Electric Corporation Ltd. ("IEC") and the other Tamar partners (in this Section - "the Agreement"), and concerning the Partnership's position in the matter - see the Company's immediate reports of October 5, 2020 and October 14, 2020 (ref. no. 2020-01-108027 and 2020-01-111951, respectively), included herein by way of reference. It is noted that, as of the publication date of this report and based on its legal counsel, the Partnership is of the position that IEC is in breach of the agreement for supplying natural gas from the Leviathan Reservoir to IEC. It is further noted that the Partnership is continuing to study its legal and commercial options concerning the agreement, and their possible impacts.

In this regard it is noted that, on October 22, 2020, the Partnership received a demand from the Competition Authority to provide information and documents concerning the agreement, as part of the discussions between the Partnership and the other Tamar partners for separately marketing gas and in connection with IEC's purchase of gas from the Leviathan Reservoir.

9. Referring to Sections 1.7.14(a), 1.7.14(d)(1) and 1.7.14(d)(2) to the Periodic Report - Agreements to Sell Natural Gas from the Tamar Project and the Leviathan Project

A. On August 27, 2020, the Tamar partners, excluding the Partnership, signed agreements to sell natural gas from the Tamar Reservoir to Bazan Ltd. ("Bazan") and to ICL Group Ltd. ("ICL") for a period ending July 1, 2022, with Bazan and ICL each having separate options to extend the agreement for two period of 3 months each (in this Section - "the Supply Agreements"). It is noted that the natural gas price specified in the Supply Agreements is fixed and without linkage of any kind, and Noble and the other Tamar partners have arrangements concerning Noble's share in the consideration for gas to be sold under the Supply Agreements. On September 30, 2020, the Partnership signed the Supply Agreements, after arrangements were made between the Partnership and Noble concerning the Partnership's share in the consideration for gas to be sold under the Supply Agreements. It is further noted that, as of the publication date of this report, all the pre-conditions have been met for the Supply Agreements to come into effect.

B. For information concerning the signing of a natural gas supply agreement between the Leviathan partners and Ramat Hovav Power Plant Limited Partnership - see the Company's immediate report of September 24, 2020 (ref. no. 2020-01-104583), included herein by way of reference.

C. Following on Section 1.7.14(d)(2)b to the Periodic Report and Section A7 to Part 3 of the Report for the Second Quarter of 2020, concerning the Leviathan partners' contacts with IEC concerning IEC's purchase of several shipments of liquid natural gas (LNG) from a third party, which the Leviathan partners allege was made in violation and in breach of said agreement - It is noted that the Partnership, together with the other Leviathan partners, is working with IEC in order to reach understandings concerning the matter.

D. In the third quarter of 2020, and as of the publication date of this report, the Partnership signed several additional agreements for the sale of immaterial amounts of natural gas to various Israeli customers, from both the Tamar Project and the Leviathan Project.

10. Referring to Section 1.7.23 to the Periodic Report - Financing

A. Leviathan Bond Ltd. debentures ("Leviathan Bond Debentures")

On August 23, 2020, Fitch Ratings issued a BB rating for the Leviathan Bond Debentures, with a stable outlook.

B. Debentures issued by Delek and Avner (Tamar Bond) Ltd. ("Tamar Bond Debentures")

On October 9, 2020, S&P Global Ratings and S&P Maalot issued an ilAA rating for the Tamar Bond Debentures and updated their rating outlook to negative due to increasing competition for Delek and Avner (Tamar Bond).

C. The Partnership's Debentures (Series 1) ("Series 1 Debentures")

(1) Following on Section A9.b to Part 3 of the Report for the Second Quarter of 2020, concerning approval of a plan to buy Series 1 Debentures and to buy Tamar Bond Debentures - As of the publication date of this report, the Partnership performed a buyback of NIS 11,413,393 par value of Series 1 Debentures in consideration for USD 3 million.

(2) On November 17, 2020, the board of directors of the general partner in the Partnership approved a plan to buy Series 1 Debentures at a total estimated cost of up to USD 30 million, in the period between November 19, 2020 and December 31, 2020. It is noted that this plan supersedes the buyback plan mentioned in sub-section (1) above. As of the publication date of this eport, the Partnership conducted buyback transactions under this plan for NIS 6,500,000 par value in Series 1 Debentures, in consideration for USD 5.7 million.

(3) On October 15, 2020, Midroog announced the removal from review and a rating of A2.il/Stable for the Partnership's Series 1 Debentures.

(4) Following on Section 1.7.23(i)(1) to the Periodic Report, it is noted that the Partnership complied with the financial covenants undertaken in the issue of the Series 1 Debentures to the public, as detailed in Section 1.7.23(f)to the Periodic Report, as follows:[2]

Financial Covenant	Examined ratio as of September 30, 2020 and the reporting date
Partnership's economic capital	3,679
Economic capital to debt ratio	9
Distribution	-

11. Referring to Section 24 to the Periodic Report - Taxes

A. Following on Section A10.a to Part 3 of the Report for the Second Quarter of 2020, concerning the filing of an originating motion by the Partnership and the general partner with the Tel Aviv District Court, requesting the court, among other things, to specify the proper means of balancing between individuals and bodies corporate holding participation units in the Partnership, in light of tax payments due of the Partnership under Section 19 to the Taxation of Profits from Natural Resources, 2011, and to permit an alternative service of process to the holders of participation units by way of public advertisement - On October 18, 2020, the court approved the applicants' request for alternative service of process, and set deadlines for submitting responses.

B. For information concerning disputes which have arisen between the Partnership and the Israel Tax Authority and disagreements concerning the Partnership's taxable income for 2016 – see Note 5Q to the financial statements below.

12. Referring to Sections 1.7.4(e), 1.7.15(b), and 1.7.19(a)(1) to the Periodic Report - Phase 1A of the Leviathan Project Development Plan

A. Following on Section A11.a to Part 3 of the Report for the Second Quarter of 2020, concerning a gradual ramp-up of production capacity in the Leviathan Project up to 1,200 MMCF/day using the turbo expander systems - It is noted that, on October 26, 2020, approval was received from the Ministry of Energy to run the turbo expander systems, subject to various conditions. As of the publication date of this report, overall production capacity in the Leviathan Project stood at 1,160 MMCF/day, and that the run-in of the turbo expander system had begun in accordance with the Ministry of Energy's approval. Noble estimates that, upon completion of these systems' run-in period, they are expected to come online in the first quarter of 2021, subject to the Ministry of Energy's approval.

B. Following on Section A11.c to Part 3 of the Report for the Second Quarter of 2020, concerning Noble's update on maintenance work scheduled for the Leviathan rig - It is noted that these works were completed as planned on November 10, 2020, after five days in which gas supply from the Leviathan rig was stopped.

13. Referring to Section 1.7.25(d) to the Periodic Report - Environmental Risk Management Policy

A. On October 30, 2020, the Ministry of Environmental Protection published for public comment a draft update to the Ashdod onshore gas terminal's existing emissions permit, which is valid until December 31, 2021, and which aims to regulate all operations in this facility. It is noted that, at the same time, a process is underway in which a new emissions permit has been requested for the facility.

B. On August 31, 2020, the Ministry of Environmental Protection published an emissions permit for the Tamar rig. This publication was made after a public hearing process, in which a draft version of this permit was issued for public comment. However, the final permit, as issued, includes material changes from the draft issued to the public, and Noble argues that no opportunity was given to comment on these changes. Therefore, immediately upon the permit's publication, correspondence began between Noble and the Ministry of Environmental Protection, and the parties held several meetings in which, among other things, Noble clarified its legal position concerning flaws in the permit formulation process, and technical problems which arise from its final wording. It is noted

[2] For information concerning measurement methods for the terms presented in the table, see Section 1.7.23(i)(1) to the Periodic Report:

that Noble has updated the Partnership that it is preparing to file an application to change the permit in accordance with the Clean Air Law, 2008, while reserving its legal rights in the matter.

14. Referring to Section 1.7.25(f) to the Periodic Report - Material Legal or Administrative Actions Concerning Environmental Issues

Following on Section 1.7.25(f)(4) to the Periodic Report, Section (a)16.b to the Report for the First Quarter of 2020, and Section (a)12.c to the Report for the Second Quarter of 2020 concerning a notice received by Noble from the Ministry of Environmental Protection concerning its plans to impose a fine, of an immaterial amount, in connection with the discharge to sea permit given to the Leviathan rig - It is noted that, on November 12, 2020, the Ministry of Environmental Protection's decided to repeal two of the four fines which the Ministry had planned to impose, and to partially reduce the two remaining fines.

15. Referring to Section 1.7.28(b) to the Periodic Report - Guidelines for Measuring Royalty Value by Well

Following on Section A18.c to Part 3 of the Report for the First Quarter of 2020 - It is noted that, on September 6, 2020, the Ministry of Energy's Natural Resources Administration issued the Oil Commissioner's Directives for Measuring Royalty Value by Well - Tamar Lease (in this Section - "the Specific Directives"). As of the publication date of this report, the Company and Partnership are studying the Specific Directives' implications.

16. Referring to Section 1.7.29 to the Periodic Report - Additional Regulatory Restrictions

Following on Section 1.7.29(g) to th Periodic Report, Section A.19.c to Part 3 of the Report for the First Quarter of 2020, and Section A.13.b to Part 3 of the Report for the Second Quarter of 2020 concerning the Electricity Authority's announcement that it was considering to increase the power generation target for renewable energies to 30% by 2030, the Minister of Energy's principle policy decision to increase the power generation target for renewable energies from August 3, 2020, and the Minister of Energy's announcement concerning such principle policy decision of August 11, 2020 - It is noted that, on October 25, 2020, a government decision was adopted entitled Promoting Renewable Energy in the Electricity Market and Amendment of Government Decisions[3], among other things in light of the policy principles set by the Energy Minister as aforesaid. Under this decision power generation from renewable energy sources would reach 30% of all electricity consumption and power generation from natural gas would reach 70% by 2030. The interim target was also updated to reach 20% power generation from renewable energy sources by the end of 2025. Furthermore, in light of the changes in government policy concerning renewable energy sources, amendments were made to the government's decisions to adopt the principle recommendations submitted by the Committee for Studying the Government's Policy on the Natural Gas Market in Israel (the Zemach Committee Report). As such, the government will review the restrictions on natural gas exports in 2021.

17. Referring to Section 1.7.31 to the Periodic Report - Legal Actions

A. For information concerning a class action and an application for approval as a class action (in this Section - "the Approval Application"), filed with the Tel Aviv District Court (Economic Department) by a shareholder in Tamar Petroleum Ltd. ("Tamar Petroleum") and by the Netzigey Ha'tzibur association (in this Section - "the Applicants") against the Partnership, Tamar Petroleum, their officers, and against Leader Issuances (1993) Ltd. (in this Section - "the Respondents") in connection with the issuance of Tamar Petroleum shares in July 2017 (in this Section - "the Issuance") – see Note 6K to the financial statements below.

B. Following on Section 1.7.31(j) to the Periodic Report and Section 20(g) to the Report for the First Quarter of 2020, concerning an appeal by Lobby 99 Ltd. (PBC) and Hatzlacha (Registered Non-Profit) (jointly in this Section - "the Appellants") against the Competition Commissioner (in this Section - "the Commissioner") (as respondent) and against Pipeline B.V. EMED ("EMED") (as formal respondents) with the Jerusalem District Court's Market Competition Court - It is noted that, on July 20, 2020, the court partially accepted the Appellants motion to file a supplementary affidavit to which were attached several early forecasts concerning natural gas demand in Egypt, updated reports from gas producers in Israel, and current oil prices. Furthermore, a schedule has been set for the proceedings.

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[3] https://www.gov.il/he/departments/policies/dec465_2020

18. Referring to Sections 1.7.32 and 1.22.3 to the Periodic Report - Goals and Business Strategy

A. As of the publication date of this report, the Partnership is continuing to study and promote, among other things, various formats for splitting the Partnership's assets, in order to list them for trading on a foreign exchange. This includes the split format specified in Section 1.7.32 to the Periodic Report, included herein by way of reference. Among other things, the Partnership is making a preliminary study of options to transfer additional oil rights to a foreign company whose shares will be listed for trading on the main market in London, through an acquisition, merger, or otherwise.

B. Following on Section 1.22.3 to the Periodic Report, concerning the Partnership's strategy to increase demand for natural gas - It is noted that, on October 29, 2020, the Partnership signed a non-binding collaboration agreement with Italian energy company Snam S.p.A. and with Dan the Public Transportation Company Ltd., to promote and implement technology for clean energy in the transportation sector, mainly through LNG-based propulsion for transportation. The Partnership estimates that use of the technology underlying this collaboration (if and to the extent that it will be used), may increase potential demand for natural gas.

C. Natural gas and condensate production data from the Tamar Project for the third quarter of 2020:[4] [5]

		Q1		Q2		Q3	
		Natural gas	Condensate	Natural gas	Condensate	Natural gas	Condensate
Total output (attributable to equity holders of the Company) for the period (in MMCF for natural gas and MBBL for condensate)		9,376	12.2	5,842	7.8	10,162	13.1
Average price per output unit (attributable to equity holders of the Company) (USD per MCF and BBL)		5.28	33.93	5.0	28.18	5.41	34.16
Average royalties (each payment derived from the output of the producing asset, including the gross income from the oil asset) paid per output unit (attributable to equity holders of the Company) (USD per MCF and BBL)	The State	0.61	3.88	0.56	3.1	0.63	3.92
	Third parties	0.18	1.11	0.22	1.2	0.25	1.60
	Principal shareholders	0.31	1.96	0.22	1.21	0.24	1.53
Proceeds for average royalties (each payment derived from the output of the producing asset, including the gross income from the oil asset) received per output unit (attributable to the Company's share) (USD per MCF and BBL)		0.09	0.54	-	-	-	-
Average production costs per output unit (attributable to equity holders of the Company) (USD per MCF and BBL)[6, 7]		0.34	1.89	0.54	2.95	0.32	1.78
Average net proceeds per output unit (attributable to equity holders of the Company) (USD per MCF and BBL)		3.93	25.63	3.46	19.72	3.97	25.33

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

5 Production data are based on the Partnership's direct holdings in the Tamar Project, of 22%.

6 It is emphasized that the average production costs per output unit only include current production costs and do not include reservoir exploration and development costs, or future tax payments by the Partnership.

7 It is noted that average production costs per output unit include natural gas transportation costs through INGL's pipeline to EMG's connection point in Ashkelon for supplying gas to Egypt, to the amount of USD 1.6 million (100%) in the third quarter of 2020.

19. Natural Gas and condensate production data from the Leviathan Project for the third quarter of 2020:[8] [9]

		Q1	Q2	Q3
		Natural gas	Natural gas	Natural gas
Total output (attributable to equity holders of the Company) for the period (in MMCF for natural gas and MBBL for condensate)		15,611	12,480	19,611
Average price per output unit (attributable to equity holders of the Company) (USD per MCF and BBL)		5.43	5.01	5.04
Average royalties (each payment derived from the output of the producing asset, including the gross income from the oil asset) paid per output unit (attributable to equity holders of the Company) (USD per MCF and BBL)	The State	0.60	0.54	0.55
	Third parties	0.07	0.13	0.13
	Principal shareholders	0.14	0.07	0.07
Proceeds for average royalties (each payment derived from the output of the producing asset, including the gross income from the oil asset) received per output unit (attributable to the Company's share) (USD per MCF and BBL)		0.18	0.12	0.12
Average production costs per output unit (attributable to equity holders of the Company) (USD per MCF and BBL)[10]		0.66	0.80	0.69
Average net proceeds per output unit (attributable to equity holders of the Company) (USD per MCF and BBL)		4.14	3.59	3.72

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

9 As the overall cost associated with condensate production in the first three quarters of 2020 exceeded the overall revenue from such condensate, and as condensate is a by-product of natural gas production, the table does not present separate data for condensate production. All costs and expenses associated with condensate production were attributed to natural gas production.

10 It is emphasized that the average production costs per output unit only include current production costs and do not include reservoir exploration and development costs or the Partnership's future tax payments.

B. Energy operations abroad

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

A. For information concerning Ithaca's announcement that it had completed the periodic redetermination process (conducted twice a year) for the RBL facility provided to Ithaca by a consortium of international banks, see the Company's immediate report of November 3, 2020 (ref. no. 2020-01-109564), included herein by way of reference.

B. As of September 30, 2020 and the report's approval date, Ithaca is in compliance with the financial covenants set in its RBL (resource-based lending) facilities, as follows:

(1) Overall sources exceed overall uses forecast for the coming 12 months. Liquidity testing was carried out near the dividend distribution described in the immediate report of November 3, 2020, as detailed in Section A above;

(2) The ratio between the net present value of the guaranteed cash flows in the RBL facility over the projects' lifetime and the amount withdrawn from the RBL facility will not fall below 1:1.15. As of September 30, 2020, this ratio stood at 1.82, and as of the report's approval date, it was 1.85;

(3) The ratio between the net present value of the guaranteed cash flows under the credit facility over the RBL facility's lifetime and the amount withdrawn from the RBL facility will not fall below 1:1.05. As of September 30, 2020, this ratio stood at 1.76, and as of the report's approval date, it was 1.78.

2. Referring to Section 1.8.18(c) to the Periodic Report

See Note 8C(1) to the financial statements below.

3. **Production data for Ithaca's producing oil assets:**

A. **Production data attributable to the Company's share in Captain-area assets for the third quarter of 2020:**

	Q1			Q2			Q3		
	Oil	**Natural gas**	**Condensate**	**Oil**	**Natural gas**	**Condensate**	**Oil**	**Natural gas**	**Condensate**
Total output in the period	2,327,704 bbl	-	-	2,076,611 bbl	-	-	1,844,412 bbl	-	-
Average price per output unit (attributable to equity holders of the Company) (USD per boe)[11]	59.2	-	-	24.4	-	-	40.7	-	-
Average production costs per output unit (USD per boe)	17.5	-	-	13.8	-	-	19.3	-	-
Average net proceeds per output unit (USD per boe)	41.7	-	-	10.6	-	-	21.4	-	-

11 It is noted that the average production costs per output unit include costs for transporting natural gas through INGL's pipeline to EMG's connection point in Ashkelon for supplying gas to Egypt, to the amount of USD 4.7 million in the first quarter of 2020, USD 3.9 million in the second quarter of 2020, and USD 7.3 million in the third quarter of 2020 (all amounts are 100%).

B. Production data attributable to the Company's share in the GSA Project for the third quarter of 2020:

	Q1			Q2			Q3		
	Oil	Natural gas	Condensate	Oil	Natural gas	Condensate	Oil	Natural gas	Condensate
Total output in the period	165,690 bbl	4,389 mcf (731,486 boe)	147,515 bbl	135,468 bbl[12]	3,715 mcf (619,212 boe)	105,927 bbl	103,514 bbl	2,604 mcf (433,957 boe)	78,602 bbl
Average price per output unit (attributable to equity holders of the Company) (USD per boe)[13]	49.5	18.6	32.9	-	8.6	17.4	34.2	18.0	31.4
Average royalties to third parties (any payment derived from the output of the producing asset, including the gross income from the oil asset) paid per output unit (attributable to equity holders of the Company) (USD per boe)	0.8	0.8	0.8	-	0.5	0.5	0.5	0.5	0.5
Average production costs per output unit (USD per boe)	16.7	16.7	16.7	-	17.1	17.1	22.8	22.8	22.8
Average net proceeds per output unit (USD per boe)	32.0	1.1	15.4	-	(9.0)	(0.2)	10.9	(5.3)	8.1

12 Not all of the oil produced in the second quarter has, of yet, been delivered to end-customers, and so no revenues and expenses have been recorded for these amounts.

13 The average price per output unit is presented before hedging - see Note 8C to the financial statements below.

C. Production data attributable to the Company's share in Ithaca-operated assets for the third quarter of 2020:

	Q1			Q2			Q3		
	Oil	**Natural gas**	**Condensate**	**Oil**	**Natural gas**	**Condensate**	**Oil**	**Natural gas**	**Condensate**
Total output in the period	712,999 bbl	4,354 mcf (725,676 boe)	43,359 bbl	736,524 bbl	4,270 mcf (711,673 boe)	66,048 bbl	600,482 bbl	3,261 mcf (543,504 boe)	30,062 bbl
Average price per output unit (attributable to equity holders of the Company) (USD per boe)[14]	57.8	18.4	35.5	41.1	8.5	15.9	41.1	14.7	29.3
Average production costs per output unit (USD per boe)	16.4	16.4	16.4	15.9	15.9	15.9	21.4	21.4	21.4
Average net proceeds per output unit (USD per boe)	41.4	2.0	19.1	25.2	(7.4)	-	19.7	(9.6)	7.9

14 The average price per output unit is presented before hedging - see Note 8C to the financial statements below.

D. Production data attributable to the Company's share in Ithaca's other active oil assets for the third quarter of 2020:

	Q1			Q2			Q3		
	Oil	Natural gas	Condensate	Oil	Natural gas	Condensate	Oil	Natural gas	Condensate
Total output in the period	646,838 bbl	7,105 mcf (1,184,116 boe)	154,793 bbl	582,081 bbl	7,248 mcf (1,208,002 boe)	162,399 bbl	496,743 bbl	6,377 mcf (1,062,782 boe)	207,471 bbl
Average price per output unit (attributable to equity holders of the Company) (USD per boe)[15]	50.1	20.5	30.8	30.8	8.7	14.2	46.1	8.7	22.6
Average production costs per output unit (USD per boe)	12.1	12.1	12.1	10.2	10.2	10.2	12.7	12.7	12.7
Average net proceeds per output unit (USD per boe)	38.0	8.4	18.7	20.6	(1.5)	4.0	33.4	(4.0)	9.9

[15] The average price per output unit is presented before hedging - see Note 8C to the financial statements below.

C. Fuel products in Israel

1. Referring to Sections 1.9.1 and 1.9.2(d) - Agreement to sell holdings in Delek Israel

A. Following on Section 1.9.1 to the Periodic Report and Section C.1.b to Part 3 in Chapter 1 to the Report for the Second Quarter of 2020 - On October 26, 2020, a transaction was completed to sell 70% of the issued and paid-up share capital of Delek the Israel Fuel Corporation Ltd. ("Delek Israel") held by Delek Petroleum Ltd., a wholly-owned (100%) subsidiary of the Company ("Delek Petroleum"), to Lahav L.R. Real Estate Ltd. and BGM Ltd. ("the Buyer"), in consideration for NIS 525 million. The Buyer has an option to buy a further 5% of Delek Israel's issued and paid-up share capital. For more information, including concerning the consideration's payment method and uses, see the Company's immediate reports of October 18, 2020 (ref. no. 2020-01-113067), October 21, 2020, (ref. no. 2020-01-105697) and October 26, 2020 (ref. no. 2020-01-116238), included herein by way of reference.

B. For information concerning the prior signing of a binding agreement which did not materialize, for selling shares in Delek the Israel Fuel Corporation Ltd. to a third party as a capital investment in Delek Israel ("the Agreement"), and concerning the non-extension of the deadline for meeting the preconditions for this Agreement and the Agreement's annulment - see the Company's immediate reports of September 29, 2020 (ref. no. 2020-01-105564) and October 18, 2020 (ref. no. 2020-01-113034), included herein by way of reference.

2. Referring to Section 1.9.1 and 1.9.2(e) - MOU to sell power plants

Following on Section C.2 to Part 3 in Chapter 1 of the Report for the Second Quarter of 2020, concerning Delek Israel's signing a detailed agreement with Rapac Energy Ltd. to sell all of the share capital in two wholly-owned Delek Israel SPCs, which hold power plants located in the Sorek 1 desalination facility, situated on the Ashkelon desalination plant site - On October 21, 2020, the Company announced that the parties to the agreement had agreed to extend the deadline for meeting the preconditions until November 1, 2020. On November 15, 2020, the Company announced that the parties to the agreement had signed an addition to the agreement stating, among other things, that the deadline for meeting the preconditions for the power plant transaction had been postponed to December 31, 2020 and may, at the Buyer's request, be extended even further until January 31, 2021. The addition further states that the consideration for the power plant transaction will bear interest starting from November 5, 2020. For more information, see the Company’s immediate reports of October 21, 2020 (ref. no. 2020-01-114678) and November 15, 2020 (ref. no. 2020-01-122937), included herein by way of reference.

Part 4 – Matters Relating to the Company as a Whole

A. Referring to Section 1.16.2 to the Periodic Report – Credit Facilities, Loans, and Debentures

1. For information concerning repayment of all of the Company’s debts to the local and foreign banks which provided the Company and/or Delek Energy with credit facilities, and repayment of the loan to the foreign bank which provided a loan to DKL Investment Limited – see the Company’s immediate report of October 28, 2020 (ref. no. 2020-01-117066), included herein by way of reference.

2. For information concerning the partial repayment of a loan received from a foreign bank which provided said loan to the subsidiary, DKL Energy Limited, see Section B.2 in Part 1 above.

3. For information concerning securitization of the overriding royalty from the Leviathan Project – See Section A.1 in Part 3 above.

4. For information concerning the status of pledges to the Group’s debenture holders in accordance with the amended deeds of trust between the Company and the trustees for its debentures, in effect since June 17, 2020, following the full repayment of the Company’s debts to the banks as aforesaid, and for information concerning the transfer of the proceeds from the issuance of debentures secured by overriding royalties from the Leviathan Project as aforesaid to the trustees for the Company’s debentures – see the Company’s immediate reports of September 16, 2020 (ref. no. 2020-01-102231) and November 10, 2020 (ref. no. 2020-01-121122), included herein by way of reference.

5. As of September 30, 2020, DKL Energy is in compliance with the financial covenant set in the foreign bank (BNP) loan, as detailed in Section 1.16.2(b)(1)a.2 to the Periodic Report. Under this

covenant, the ratio between the total net debt and the net profit before taxes and financing, adjusted for depreciation and amortization and excluding assessment and exploration expenses (EBITDAX) will not exceed 2.5. This ratio must be tested at every measurement date (March 31, June 30, September 30, and December 31 of each year). As of September 30, 2020, the ratio stood at 2.0.

B. Referring to Section 1.16.8 to the Periodic Report – Credit Rating

On September 30, 2020, S&P Maalot announced an update to its rating outlook for the Company's debentures (Series B13, B22, B31, B33, and B34), from negative to developing. For more information, see the Company's immediate report of September 30, 2020 (ref. no. 2020-01-106689), included herein by way of reference.

C. Referring to Section 1.21 to the Periodic Report – Legal Actions

For information concerning an application for approval as a multiple derivative action on behalf of the Delek Foundation for Science, Education, and Culture (PBC), a wholly-owned subsidiary of the Company, see Note 6L to the financial statements below, and see the Company's immediate report of September 22, 2020 (ref. no. 2020-01-103932), included herein by way of reference.

Delek Group Ltd.
Date: November 25, 2020
Names and titles of signatories:
Gabriel Last, Chairman of the Board
Idan Wallace, CEO

Chapter

B

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

November 25, 2020

Delek Group Ltd.

Board of Directors' report on the state of the Company's affairs

For the nine and three months ended September 30, 2020

The Board of Directors of the Delek Group Ltd. ("the Company" and/or "the Group"), hereby presents the Company's Board of Directors' Report for the three and nine months ended September 30, 2020.

A. The Board of Directors' explanations on the state of the Company's affairs:

1. Description of the Company and its business environment

The Company operates mainly through investees engaged in oil and gas exploration and production in Israel and abroad, and in marketing fuel products in Israel. In this regard it is noted that, in the fourth quarter of 2019, the Company completed the sale of its insurance and finance operations in Israel (The Phoenix). Furthermore, in November 2019, the Group completed the acquisition of assets in the North Sea, as detailed below.

The Group's financial data and its operating results are affected, among other things, by the financial data and operating results of its investees, and by its sale or acquisition of holdings. The Company's cash flow is affected, among other things, by dividends received from its investees, by inflows originating from the disposal of its holdings therein, by its ability to raise financing in Israel and abroad which depends, among other things, on the value of its holdings, financial market conditions in Israel and abroad, and by investments made by the Group and the dividends it distributes to its shareholders.

In accordance to the Company's agreements with certain banks from June 2020, in the third quarter of 2020 and until the end of October 2020, the Company and the staff companies repaid all of their debts to said banks, to a total amount of NIS 840 million.[1] Following such repayments, as of the financial statements' approval date, the Company and the staff companies do not have any debts to said banks. The Group performed several significant actions which served the Group, among other things, to repay said debts. These included selling the right to royalties from the Karish and Tanin leases, to the amount of NIS 318 million; selling a controlling stake (70%) in Delek Israel's share capital, to the amount of NIS 525 million (of which NIS 450 million were received in cash); securitization of overriding royalties from the Leviathan Reservoir, to the amount of USD 180 million (NIS 608 million)(before safety buffers to cover interest and issuance costs); and receiving a dividend from Delek Israel, to the amount of NIS 150 million. In addition to the above, subsequent to the financial position statement date, in November 2020, Ithaca distributed USD 100 million (NIS 340 million) in dividends. This amount was used to settle a debt to a foreign bank. The Group also plans to repay an additional amount of USD 30 million to that same foreign bank from the consideration received on the sale of Delek Israel, so that following such repayments, the Company's and the staff companies' overall debt to banks will amount to only USD 7 million.

In addition to the aforesaid, in the reporting period the Company completed capital issuances to a total amount of NIS 313 million.

Subsequent to the financial position statement date, in November 2020, the Partnership announced that it would be distributing earnings of USD 65 million (Group's share - USD 36 million; NIS 120 million). The dividend will be distributed in December 2020.

Following on Note 1 to the financial statements concerning the COVID-19 epidemic, its spread to numerous countries worldwide, and the subsequent restrictions including, among other things, isolation of widespread populations, restrictions on movement and transportation (including flights), closures and limitation of commercial activity and a significant slow-down in the global economy, and sharp drops and

[1] In this translation of the Board of Directors' Report, all amounts should be understood by the reader to be rounded to the nearest billion, million, or thousand, as the case may be.

high volatility on global capital markets, a significant decrease was seen in demand for oil prices, coupled by a ‘price war’ in oil prices between Saudi Arabia and Russia, manifested through an increase in oil production output along with a decrease in demand. These developments caused extremely sharp drops in oil prices and natural gas prices in some countries. In the reporting period, various countries have reached agreements to limit daily oil output. Furthermore, in the first half of 2020, numerous countries began implementing exit strategies to emerge from their respective restrictions, and to secure a controlled and gradual return to normal, while still implementing periodic lockdowns.

Recently, several companies and organizations have announced significant advances in developing vaccines for COVID-19. Once use of these vaccines is approved, the epidemic may slow down and subsequently even stop. Progress in developing vaccines, along with the cut-back in production output and expected growth in demand for oil, caused global oil prices to rebound.

As the Group’s core operations are in the energy sector, any increase in oil and gas prices, over time, may have a favorable effect on the results of the Group’s operations, the value of its assets (both marketable and non-marketable), its equity, its cash flows from operating activities, its ability to dispose of assets and the consideration expected from such disposals, and on its ability to secure additional sources of financing and/or the cost of such sources. On the other hand, the epidemic’s continuation may lower demand in Israel and worldwide for the Group and its products, and undermine the financial strength of the Group’s customers, its partners, and suppliers.

The Company's financial statements as of September 30, 2020, include Notes 1A and 1C and the Company's auditors, in their review, call attention to the disclosure made in these notes concerning the COVID-19 epidemic and the extremely significant drop in global oil and gas prices in 2020. This includes: a deficit in the Company’s consolidated and separate working capital; significant impairment in the value of the Group’s assets; a significant decrease in the nine months ended September 30, 2020 in the equity attributable to the Company’s shareholders; a downgrade of the rating for Company’s debentures; and a significant volume of calls for repayment on the Company and the staff companies by debenture-holders and banks. On the other hand, it is noted that, as detailed in said notes, standstill agreements were approved with the debenture holders and banks whereby, among other things, amendments were made to the deeds of trust and associated financial covenants, that said creditors would not call for immediate repayment of the Company’s liabilities toward them, provided the Company meets certain obligations to said creditors and various covenants. As of the financial statements’ approval date, substantial volumes of assets and investments have been sold, and the Company has completed a capital raising round, and received dividends from investees. Furthermore, in the reporting period and as of the financial statements’ approval date, the Company has repaid material volumes of its financial liabilities toward its creditors, including all of its liabilities to certain banks in accordance with the agreements reached with said banks.

As detailed in said note, the continued timely repayment of the Company’s and the staff companies’ liabilities relies and is contingent on their ability to sell substantial volumes of assets and investments, their ability to raise significant volumes of debt and capital some of which are required in the near future, and is significantly affected by oil and gas prices and their ability to receive significant volumes of dividends from investees.

The Company has worked and is continuing to work to carry out its plans to meet the applicable terms and to secure the sources necessary to meet its liabilities, including by raising capital, raising asset-backed debt, and by disposing of assets and investments. The Company believes there is a good chance that it will succeed in carrying out its plans. In this regard, it is noted that, as detailed above, the significant initiatives which the Group has managed to complete in a short time frame in accordance with said plan, have led it to make early repayment on significant volumes of debt to banks and to debenture holders, on time. However, as completion of the Company’s plans are outside the Company’s sole control and depend, as aforesaid, among other things, on several cumulative factors which must occur in relatively short time frames and/or in significant amounts, there is uncertainty concerning the actual materialization of said plans and concerning the Company’s compliance with the financial covenants set in the agreements with its debenture holders. These factors, together with additional factors as noted in Note 1 to the financial statements, raise significant doubt concerning the Company’s continued operation as a going concern. The financial statements do not include any adjustments to the value or classification of assets and liabilities, which may become necessary if the Company is unable to continue operating as a going concern.

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 Delek Drilling Limited Partnership ("Delek Drilling" or "the Partnership"). As of the financial statements' approval date, the Partnership mainly deals in the exploration, development and production of natural gas, condensate and oil in Israel and Cyprus, and in promoting various natural gas-based projects, in order to increase natural gas sales from the Partnership's assets. The Partnership is also studying commercial opportunities for exploration, development, and production of natural gas and oil in the Mediterranean Basin. According to the Gas Outline Plan (see Note 12M1 to the financial statements as of December 31, 2019), the Partnership must transfer all of its rights in the I/12 Tamar and I/13 Dalit leases (jointly - "Tamar and Dalit") no later than December 2021. Therefore, as of the financial statements' approval date, the Partnership is studying and pursuing several options, including the sale of its holdings in the Tamar and Dalit leases to a third party, or splitting the Partnership's assets so that the assets and liabilities attributable to the Tamar and Dalit leases or the Partnership's assets and liabilities not attributable to the Tamar and Dalit leases, would be transferred to a public company, either Israeli or foreign, whose shares would be divided among holders of participation units. In this event, the Group, as holder of participation units in the Partnership, will be required to dispose of its holdings in such company, under the provisions of the Gas Outline Plan. The Partnership is making a preliminary study of options to transfer additional oil rights to a foreign company whose shares would be listed for trading on the main market in London, through an acquisition, merger, or otherwise. For more information about a possible split of the Partnership's assets, considered by the Partnership, see Note 12O to the financial statements as of December 31, 2019.

– On December 31, 2019, supply of natural gas started from the Leviathan Reservoir to the domestic market, and on January 1, 2020 and January 15, 2020 supply of natural gas began to Jordan and Egypt, respectively.

– In March 2020, Delek Energy sold 5% of Delek Drilling's capital (for more information, see Note 3C to the consolidated financial statements). Post-sale, the equity attributable to the Company's shareholders decreased by NIS 313 million (including attribution to capital reserves from transactions with non-controlling interests).

– In April 2020, the Company sold its investment in Cohen Gas and Oil Development Ltd. in consideration for NIS 207 million (for more information, see Note 3D to the consolidated financial statements). Following such sale, in the second quarter of 2020 the Company recognized a loss attributable to the Company's shareholders of NIS 235 million (post-tax).

– On July 8, 2020, a transaction was completed whereby the Company and Delek Energy Systems Ltd. ("Delek Energy") sold to a third party ("the Buyer") all of the Company's and Delek Energy's rights to overriding royalties from the Karish and Tanin leases (excluding the Partnership's royalty rights). Consideration for the sale totaled NIS 318 million. Following such sale, in the third quarter of 2020, the Company recognized a loss attributable to the Company's shareholders of NIS 44 million (post-tax).

– In July 2020, the Partnership made partial early repayment on the third series of Tamar Bond debentures, to an amount of USD 240 million. For more information, see Note 5L to the consolidated financial statements.

– <u>Completion of Leviathan's refinancing</u>

  In August 2020, a debenture issuance was completed by Delek Leviathan Bond Ltd., a wholly-owned SPC of the Partnership. This issuance included debentures to a total amount of USD 2.25 billion, issued under Rule 144A and Regulation S. The debentures were issued in 4 series, maturing in 2023, 2025, 2027, and 2030. The debentures are secured by a lien on Delek Drilling's rights in the Leviathan leases. The proceeds from this issuance will serve the Partnership, among other things, to repay USD 2 billion in bank loans. For more information, see Note 5K to the consolidated financial statements.

– <u>Securitization of overriding royalties from Leviathan</u>

  On October 28, 2020, an issuance was completed of USD 180 million in debentures to classified investors from Israel and abroad. The issuance was carried out by Delek Overriding Royalty Leviathan Ltd. (“the Issuer”), a wholly-owned subsidiary of Delek Energy, and was secured by a lien on rights to overriding royalties from the Leviathan Project which were transferred to the issuer. On the completion date, all proceeds from the Issuance, including the Total Issuance Proceed, less a safety buffer guaranteeing the interest payments, and the Issuance and underwriting costs, were transferred directly to a designated escrow account held by the trustees for the Company's debenture-holders. This amount served to settle payments to the Company's debenture-holders. As of the financial statements' approval date, a total of NIS 370 million had been paid, and the amount remaining in the escrow account will be used to repay additional upcoming payments, all as stipulated in the amended deed. For more information, see Note 5N to the consolidated financial statements.

– Sale of Delek Royalties (2012) Ltd.

  On September 13, 2020, Delek Energy signed an agreement with a third party to sell all of Delek Energy's holdings (39.3%) in Delek Royalties (2012) Ltd. ("Delek Royalties") for a total consideration (subject to a purchase offer as detailed below) of NIS 46 million, reflecting a share price of 574.97 agorot per share. Upon signing the agreement, Delek Energy sold 12.3% of Delek Royalties' share capital for a cash consideration of NIS 14 million. In the second stage, as part of a purchase offer completed subsequent to the financial position statement date, the Company sold an additional 19.9% in consideration for NIS 23.6 million. Thus, the total consideration received by the Company amounted to NIS 40.5 million. Near the financial statements' approval date, the Company 7.07% of Delek Royalties' share capital. For more information, see Note 8B to the consolidated financial statements.

– Subsequent to the financial position statement date, in November 2020, the Partnership announced that it would be distributing earnings of USD 65 million (Group's share - USD 36 million; NIS 120 million). The dividend will be distributed in December 2020.

Oil and gas operations in the North Sea

– The Group's operations in this segment are carried out through Ithaca Energy Ltd. ("Ithaca"), a wholly-owned (indirect) Group subsidiary dealing in oil and gas exploration, production and sale in the North Sea, and holding the rights to oil assets located in the North Sea in territorial waters off the coast of England. Furthermore, Ithaca serves as the operator in some of its assets.

– On November 8, 2019, Ithaca completed a strategic transaction for acquiring 100% of the shares of Chevron North Sea Limited ("CNSL") from Chevron Products UK Limited ("the Seller"). CNSL holds various right interests in ten production oil and gas assets located in the North Sea offshore of England, drilling and exploration licenses, a pipeline and infrastructure, and skilled professional staff, all of which were included in the acquisition. CNSL serves as the operator for four of the acquired assets, accounting for 67% of all 2P reserves in the acquired assets. CNSL's acquired operations join Ithaca's existing development and production operations, which focus mainly on developing reservoirs in the Greater Stella Area ("GSA"). Production in the GSA is conducted from a central floating platform known as FPF-1.

– In the reporting period, Ithaca continued production from the Stella and Harrier reservoirs in the GSA, and from the reservoirs acquired from CNSL as aforesaid. Ithaca is also continuing to develop the Vorlich reservoir. Production from the Vorlich reservoir began subsequent to the financial position statement date, on November 9, 2020. In the initial stage, production is taking place in the first well, and the second well will come online later in the same month. Over the next few years, Ithaca plans to drill additional wells in the Greater Stella Area, and connect them to FPF-1. Ithaca further plans to expand the polymers project from the Captain reservoir to additional areas, to accelerate oil production.

– Ithaca has an agreement with BP to market and sell gas and oil produced from all Ithaca assets for a period of three years, with an option to extend the contract up to five years.

– Ithaca has enacted measures to allow operations under COVID-19 restrictions, mainly as concerns operations personnel and manning of facilities. Despite the COVID-19 restrictions, except for a delay in the Vorlich reservoir coming online, production from the Company's other assets was not impacted. As aforesaid, the Vorlich reservoir came online in early November 2020.

– In the first quarter of 2020, the Group included a provision for impairment of oil and gas assets in the North Sea, to the amount of USD 751 million, pre-tax (USD 451 million, post-tax). This impairment was due, among other things, to the COVID-19 epidemic, lower forecasts concerning oil and gas prices, corresponding updates to production rates, and changes in the discounting rate. For more information, see Note 5S to the consolidated financial statements. In 2019, the Group included a provision for impairment of oil and gas assets in the North Sea (mainly in connection with the GSA Reservoir), to the amount of USD 199 million (USD 120 million, post-tax). In the first quarter of 2020, the Group also included a provision for impairment of goodwill attributable to energy operations in the North Sea, to the amount of USD 216 million. Overall, write-downs (post-tax) to gas and oil operations in the North Sea totaled USD 667 million (NIS 2,378 million).

As of June 30, 2020, the Group, through an independent third party appraiser, performed another test for impairment of goodwill attributable to the 'Oil and Gas Development and Production Assets in the North Sea' unit as whole. The unit's recoverable amount was measured as the fair value of the investment in oil and gas production operations in the North Sea, net of selling costs. As of June 30, 2020, this amount was estimated at USD 1.2 billion. This value is higher than the carrying amount of the investment in the unit as of that date, which amounts to USD 1.1 billion. The Company is thus not required to recognize additional impairment of goodwill. As of September 30, 2020, there were no signs of additional impairment.

For more information, see Note 5S to the consolidated financial statements.

Subsequent to the financial position statement date, in November 2020, Ithaca distributed dividend of USD 100 million.

Fuel operations in Israel

- On July 7, 2020, a transaction was completed whereby Delek Israel sold to a third party all of its rights in Delek Pi Gliloth Limited Partnership ("Pi Gliloth") and in the land from which Pi Gliloth operates its fuel terminals in Haifa, Ashdod, Be'er Sheva, and Jerusalem. Consideration for the sale totaled NIS 720 million, paid to Delek Israel in full upon the transaction's completion. In the reporting period, based among other things on the price of this transaction, and the estimated capitalization fees due to the Israel Land Authority from Delek Israel under the agreement, Delek Israel recognized a provision for impairment of goodwill attributable to Pi Gliloth's operations to the amount of NIS 111 million (pre-tax). For more information, see Note 3E(1) to the consolidated financial statements.
- In July 2020, Delek Israel paid the Group a dividend of NIS 150 million.
- On July 23, 2020, Delek Israel signed a detailed agreement to sell 100% of the shares in IPP Ashkelon Limited and IPP Sorek Ltd. (which operate the power plants in Ashkelon and Sorek), for a total consideration of NIS 367 million. According to the agreement, the consideration is payable in two installments. The first installment, of NIS 307.5 million, is payable upon completion, and the remaining NIS 60 million is payable one year after the completion date (deferred consideration). In the reporting period, Delek Israel recognized a NIS 191 million provision for the power plants' impairment. Subsequent to the financial position statement date, on November 13, 2020, an addition to the sale agreement was signed. This addition specifies, among other things, that the deadline for meeting the pre-conditions is postponed until December 31, 2020, with an option to extend the deadline again until January 31, 2021. For more information, see Note 3E(2) to the consolidated financial statements.
- Subsequent to the financial position statement date, on October 16, 2020, the Group sold 70% of Delek Israel's share capital, for a total consideration of NIS 525 million. Consideration for the sold shares will be paid as follows: Upon the transaction's completion, the buyer paid NIS 450 million in cash ("the Payment Upon Completion"), against the transfer of 60% of Delek Israel's share capital to the buyer. The remaining consideration of NIS 75 million ("the Deferred Consideration") will be transferred by the buyer by June 30, 2021, against 10% of Delek Israel's share capital ("the Additional Shares"). The Additional Shares were delivered to the parties' trustee by the date that the seller transfers consideration for said shares. Should the buyer fail to finalize payment of the Deferred Consideration, or any part thereof, by June 30, 2021, the parties' trustee will transfer to the buyer a prorated number of shares in accordance with that portion of the Deferred Consideration which was actually transferred by such date. The parties' trustee will transfer the remaining balance of the sold shares, held at that time by the parties' trustee, to the trustees for the Company's debenture-holders. Furthermore, the agreement grants the buyer an option to buy up to an additional 5% of Delek Israel's issued and paid-up share capital ("the Optional Shares") from the completion date and up to June 30, 2021. The share price for the Optional Shares is identical to the selling price subject to certain adjustments, reflecting an addition of NIS 37 million if the option is exercised in full. This option may only be exercised if the buyers bring in a strategic investor, and expires on June 30, 2021. For more information, see Note 3E3. The cash consideration was received on the completion date, and on October 27, 2020 all of the Company's and the staff companies' debts to the Relevant Banks were repaid. Following such repayments, the Company does not have any debts outstanding to the Relevant Banks. Upon such repayment, all the participation units pledged to said banks were transferred to a central escrow account for all the relevant banks ("the Banks' Escrow Account"), as stipulated in the letter of consent between the Company and the relevant banks. Under the Company's amended deeds of trust in effect since June 17, 2020 ("the Amended

Deed"), the participation units were transferred from the Banks' Escrow Account to the account of the trustees for the Company's debentures. Following completion of such transfer and registration of the corresponding liens, 40% of all of the Partnerships' participation units were pledged to the debenture-holders. The remainder of the participation units remaining in the Banks' Escrow Account was released from any pledge.

Other Operations

– Exercise of swap transactions on The Phoenix Holdings Ltd. ("The Phoenix") shares

On April 27, 2020 and on May 10, 2020, the Company notified the banks with which it had undertaken swap contracts to sell 25,000,000 shares in The Phoenix, of the early completion of these swaps and the release to the Company of a net cash amount of NIS 143 million which had been pledged to the banks to secure the swaps, as common for such transactions. The shares were sold in an off-TASE transaction for a total consideration of NIS 413 million. For more information, see also Note 3A(3) to the consolidated financial statements.

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

As part of the sales agreement for The Phoenix's shares, the Company provided the buyer a subordinated debt whose balance as of September 30, 2020 totaled NIS 254 million ("the Seller's Loan").

– The Seller's Loan, elements of the contingent considerations, and future adjustments (including as concerns the option) are measured in the financial statements at fair value through profit or loss. As of September 30, 2020, the net fair value of these instruments totaled NIS 99 million (as of December 31, 2019 - NIS 140 million). As such, and accounting for NIS 12 million in interest payments, the Company recognized a loss of NIS 53 million in the reporting period, presented under the 'Profit (loss) from discontinued operations, net' item. For more information, see Note 3A(2) to the consolidated financial statements. It is further noted that, near the financial statements' approval date, The Phoenix's share price went up from its price as of September 30, 2020. Therefore, it is currently expected that the net fair value of the loan will increase compared to its fair value as of September 30, 2020, and be classified as gains in the subsequent reporting period.

– Sale of IDE Holdings Ltd. ("IDE") shares

In March 2020, the Group sold its remaining holdings (20%) in IDE, for a total consideration of NIS 169 million. Thus, in the first quarter of 2020, the Group recognized net gains of NIS 20 million. For more information, see Note 3B to the consolidated financial statements.

– Sale of investment property

In March 2020, the Company sold to Gadot Biochemicals Ltd. ("Gadot") its title to land in the Haifa Bay area, on which Gadot's facility is located. Consideration for the sale totaled NIS 33 million, which was approximately the asset's carrying value.

Issuance of shares and warrants

In May 2020, the Company completed a capital raising (shares and warrants) with immediate proceeds of NIS 137 million. Furthermore, in August 2020, the Company completed an additional capital raising (shares and warrants) with immediate proceeds of NIS 176 million. For more information, see Note 7 to the consolidated financial statements.

Near the financial statements' approval date, in November 2020, a total of 125,539 warrants (Series 9) were exercised into 125,539 shares of NIS 1 par value in the Company, in consideration for NIS 9.5 million. Following said exercise, the Company's issued and paid-up share capital totals 15,678,737 shares of NIS 1 par value each.

3. Results of Operations

A) The net profit attributable to the Company's shareholders totaled NIS 149 million in the present quarter, as compared to a net profit of NIS 65 million in the same period last year.

Losses in the nine months ended September 30, 2020 were mainly due to an accounting write-down which the Group was forced to recognize on its holdings in Ithaca in the first quarter of the year in light of the crisis in global energy markets caused by the COVID-19 pandemic, and the price war between Russia and the Gulf States in the first quarter of 2020. Furthermore, in the second quarter of 2020, the Group recognized a loss of NIS 235 million (post-tax) on the sale of its investment in Cohen Development shares, and a loss of NIS 53 million recognized in the reporting period from fair value changes to seller's loan to The Phoenix's buyers. It is further noted that, near the financial statements' approval date, The Phoenix's share price had gone up compared to its price as of September 30, 2020. Therefore, it is currently expected that the net fair value of this loan will increase from its value as of September 30, 2020, and be recognized as profit in the subsequent reporting period.

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

	Q1/2020	Q2/2020	Q3/2020	1-9/2020	Q1/2019	Q2/2019	Q3/2019	1-9/2019	2019
Oil and gas exploration and production in and around Israel *)	136	11	158	305	117	58	99	274	384
Oil and gas exploration and production in the North Sea **)	37	102	55	194	57	27	2	86	285
Contribution of continuing operations before discontinued operations and capital and other gains	173	113	213	499	174	85	101	360	669
Impairment of gas and oil assets, goodwill, and other income (expenses) in oil and gas operations ***)	(2,358)	(220)	(24)	(2,602)	(13)	(1)	35	21	(718)
Finance, tax, and other income (expenses) ****)	(581)	(219)	(40)	(840)	129	106	(71)	164	283
Net profit (loss) attributable to Company shareholders	(2,766)	(326)	149	(2,943)	290	190	65	545	234

*) Excluding gains or losses on the sale of oil and gas assets and revaluation of amounts receivable and a right to royalties from the Karish and Tanin leases and the Tamar and Dalit leases; and also excluding losses recognized in profit or loss from fair value adjustments to the balance of the investment in Tamar Petroleum, included under the 'Impairment of gas and oil assets, goodwill, and other income (expenses)' item in gas and oil operations.

**) Excluding impairment losses on oil and gas assets and goodwill of NIS 2,378 million, post-tax (USD 667 million)(in 2019 - NIS 413 million, post tax (USD 120 million)).

***) For more information on impairment testing for gas and oil assets and goodwill, see Notes 3F and Note 5 to the consolidated financial statements. In the reporting period, the item includes NIS 235 million (post-tax) in losses on the disposal of the investment in Cohen Development.

****) In the reporting period, the item includes a provision for impairment of power plant operations to the amount of NIS 192 million, erosion of the securities portfolio by NIS 140 million, and losses of NIS 53 million from fair value changes to the Seller's Loan to The Phoenix's buyers as aforesaid. Furthermore, Delek Israel's results were presented under the 'Profit (loss) from discontinued operations, net' item. Delek Israel's operations in the reporting period yielded a loss of NIS 133 million, as compared to a profit of NIS 78 million in the same period last year.

B) Revenues from operating activities (NIS millions):

The Group's revenues in the reporting period totaled NIS 5 billion, as compared to NIS 2 billion in the same period last year, as detailed in the table below (NIS millions):

	1-9/2020	1-9/2019	7-9/2020	7-9/2019		2019
Oil and gas exploration and production in and around Israel	1,982	1,012	810	350		1,332
Oil and gas asset development and production in the North Sea	3,106	962	916	220		2,062
Other segments including adjustments	(51)	(28)	(21)	(4)		(38)
Total revenues	**5,037**	**1,946**	**1,705**	**566**		**3,356**

See also Note 9 to the consolidated financial statements - Information Regarding Operating Segments.

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

	1-9/2020	1-9/2019	7-9/2020	7-9/2019		2019
Oil and gas exploration and production in and around Israel	937	455	526	201		649
Oil and gas asset development and production in the North Sea	(2,508)	266	241	54		(104)
Other segments including adjustments	(63)	78	(25)	(18)		(118)
Total operating profit (loss)	**(1,634)**	**799**	**742**	**237**		**427**

See also Note 9 to the consolidated financial statements - Information Regarding Operating Segments.

D) The Group's share in the profits (losses) of associates, net (NIS millions):

The Group's share in the results of its principal associates:

	1-9/2020	1-9/2019	7-9/2020	7-9/2019		2019
IDE [1)]	2	5	-	(8)		15
Others	(5)	(6)	(7)	(7)		(38)
Total	**(3)**	**(1)**	**(7)**	**(15)**		**(23)**

1) In March 2020, the Group disposed of its remaining holdings in IDE's shares (see also Note 3B to the consolidated financial statements).

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

	1-9/2020	1-9/2019	7-9/2020	7-9/2019		2019
Revenues	5,037	1,946	1,705	566		3,356
Cost of sales	2,729	1,056	883	300		1,901
Gross profit	**2,308**	**890**	**822**	**266**		**1,455**
General and administrative expenses	184	91	57	23		121
Group's share in losses of operating associates, net	(6)	(6)	(7)	(6)		(42)
Other income (expenses), net	(3,752)	6	(16)	-		(865)
Operating profit (loss)	**(1,634)**	**799**	**742**	**237**		**427**
Finance income	112	433	23	155		671
Finance expenses	(1,766)	(738)	(508)	(289)		(1,342)
Profit (loss) after finance expenses, net	**(3,288)**	**494**	**257**	**103**		**(244)**
Group's share in the earnings (losses) of associates, net	3	5	-	(9)		19
Profit (loss) before income tax	**(3,285)**	**499**	**257**	**94**		**(225)**
Income tax (tax benefit)	(926)	74	29	2		(417)
Profit (loss) from continuing operations	**(2,359)**	**425**	**228**	**92**		**192**
Profit (loss) from discontinued operations, net	**(333)**	**559**	**68**	**49**		**594**
Net profit (loss)	**(2,692)**	**984**	**296**	**141**		**786**
Attributable to -						
Company shareholders	(2,943)	545	149	65		234
Non-controlling interests	251	439	147	76		552
	(2,692)	**984**	**296**	**141**		**786**

F) Movement in comprehensive income (loss) (in NIS millions):

	1-9/2020	1-9/2019	7-9/2020	7-9/2019	2019
Net profit (loss)	**(2,692)**	**984**	**296**	**141**	**786**
Other comprehensive income (loss) from continuing operations (post-tax):					
Profit (loss) from investment in equity instruments measured at fair value through other comprehensive income	(132)	(149)	7	(49)	(167)
Gain (loss) on financial assets at fair value through other comprehensive income	1	-	-	-	-
Transfer to profit or loss from adjustments from translation of overseas operations	28	14	-	-	14
Gain (loss) from cash flow hedges	892	211	(93)	123	92
Transfer to profit or loss from cash flow hedges	(498)	(69)	(119)	(17)	(101)
Adjustments from translation of overseas operations (*)	105	(863)	(64)	(272)	(969)
Other comprehensive income (loss) attributable to associates, net	(2)	1	-	1	(4)
Total other comprehensive income (loss) from continuing operations	**394**	**(855)**	**(269)**	**(214)**	**(1,135)**
Total other comprehensive income from discontinued operations, net	**-**	**229**	**-**	**90**	**149**
Total comprehensive income (loss)	**(2,298)**	**358**	**27**	**17**	**(200)**
Attributable to:					
Company shareholders	(2,554)	143	(112)	(18)	(501)
Non-controlling interests	256	215	139	35	301
	(2,298)	358	27	17	(200)

(*) The Group has material investments in investee companies and an investee partnership whose functional currency is not NIS (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 lost 0.4% against the NIS, as compared to a decrease of 7.1% in the same period last year.

4. Financial Position

The Group's total assets as of September 30, 2020, amounted to NIS 39.4 billion, compared with NIS 47 billion as of December 31, 2019.

Principal changes in assets and liabilities as included in the consolidated statements as of September 30, 2020, compared with December 31, 2019:

Cash and cash equivalents and short-term investments

As of September 30, 2020, the Group had cash and short-term investment balances of NIS 1.3 billion, consisting mainly of balances of NIS 1.1 billion in Delek Drilling.

Current and non-current assets

The Group's total current assets in its consolidated financial statements (excluding cash and short-term investments), excluding held-for-sale assets, as of September 30, 2020, amounted to NIS 1.9 billion, as compared to NIS 3.2 billion as of December 31, 2019. This decrease in current assets was due to re-classification of Delek Israel's assets to held-for-sale assets following the deal to sell the Group's investment in Delek Israel, completed subsequent to the financial position statement date.

As of September 30, 2020, the Group's total non-current assets amounted to NIS 32.5 billion, compared to NIS 41.5 billion as of December 31, 2019, a decrease of NIS 9 billion. This decrease in non-current asset balances was mainly due to provisions for impairment of gas and oil assets and goodwill attributable to energy operations in the North Sea, to the amount of USD 970 million (NIS 5.3 billion). The decrease was further attributable to the disposal and reclassification as held-for-sale assets of some of the Group's investments.

Short- and long-term liabilities

Financial liabilities in the consolidated financial statements (to banks and others and to debenture-holders and holders of convertible debentures), as of September 30, 2020, amounted to NIS 22.5 billion, as compared to NIS 27.8 billion as of December 31, 2019. This decrease was due to net repayments of bank debt and debentures, to the amount of NIS 2.9 billion. The decrease was further attributable to re-classification of Delek Israel's financial debt to liabilities associated with held-for-sale assets.

Contingent claims

In their opinion on the financial statements, the Company's auditors draw attention to legal actions brought against Group companies. For details, see Note 6 to the consolidated financial statements.

Additional information

For additional information regarding repayments of principal and interest on the Company's and the staff companies' debts, see Appendix A to the Board of Directors' Report.

5. Sources of Finance and Liquidity

The net financial debt of the Company and the staff companies as of September 30, 2020:[2]

	NIS millions
Liabilities	
Debentures	5,780
Bank and other loans	1,096
Other liabilities	276
Total liabilities	**7,152**
Assets	
Cash and deposits	38
Restricted deposits and investments in securities	226
Financial investments	101
Loans (*)	1,219
Other payables	49
Treasury shares (**)	39
Total assets	**1,672**
Financial debt, net	**(5,480)**

(*) Composition of loans extended as of September 30, 2020:

Borrower	Loan balance (NIS millions)
Loans to Ithaca	932
Seller's loan, net - The Phoenix transaction	99
Others	188
Total	**1,219**

(**) As of September 30, 2020, and as of the financial statements' approval date, Delek Financial Investments (2012) Limited Partnership, a wholly-owned subsidiary partnership of the Delek Group, held 586,422 shares of NIS 1 par value in the Delek Group. For more information, see Section (f) - Additional information below.

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

<u>The net financial debt of the Company and the staff companies as of the financial statements' approval date:</u>(3)

	NIS millions
<u>Liabilities</u>	
Debentures	5,438
Loan from subsidiary	258
Bank and other loans	412
Other liabilities	254
Total liabilities	**6,362**
<u>Assets</u>	
Cash and deposits	36
Restricted deposits and securities	201
Deposit pledged to trustee for the debentures	247
Financial investments	28
Loans (**)	1,185
Other payables	49
Treasury shares (***)	53
Total assets	**1,799**
Financial debt, net	**(4,563)**

(*) Subsequent to the financial position statement date, on October 28, 2020, an issuance of debentures was completed to classified investors from Israel and abroad, to the amount of USD 180 million (before safety buffers to cover interest and issuance costs). This issuance was carried out by Delek Overriding Royalty Leviathan Ltd. ("the Issuer"), a subsidiary (100%) of Delek Energy. The debentures are secured by a pledge on the rights to overriding royalties from the Leviathan Project, transferred to the Issuer. For more information, see Note 5N to the consolidated financial statements.

(**) Composition of loans extended to others, as of the financial statements' approval date:

Borrower	Loan balance (NIS millions)
Loans to Ithaca	911
Seller's loan, net - The Phoenix transaction (1)	99
Others	175
Total	**1,185**

(1) Reflects the value as of September 30, 2020, based on the Company's valuation.

(***) As of September 30, 2020, and as of the financial statements' approval date, Delek Financial Investments (2012) Limited Partnership, a wholly-owned subsidiary partnership of the Delek Group, holds 586,422 shares of NIS 1 par value in the Delek Group. For more information, see Section F – *Additional Information*, below.

(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.

Projected cash flows

According to Regulation 10(b)(14) of the Securities Regulations (Periodic and Immediate Reports), 1970 ("the Securities Regulations"), companies which, upon publication of their financial statements, have debt certificates in circulation, must test for warning signs as defined in the Securities Regulations. If one or more warning signs are found, companies must provide disclosure concerning their projected cash flows.

The financial statements as of September 30, 2020 include the following warning signs: (1) the auditors' review as of the reporting date drew attention to significant doubts concerning the Company's continued operation as a going concern; (2) a working capital deficit for a period of twelve months, and the Company's Board of Directors did not determine that such deficit does not indicate a problem with the Company's liquidity.

The Company's Management has presented to the Company's Board of Directors all sources received until immediately prior to the financial statements' approval date, and all forecast sources which may serve the Company and the staff companies to meet their obligations in the next two years including the Company's forecast inflows from earning and dividend distributions from investee partnerships and companies, the Company's cash balances and securities portfolios (liquid balances) which service operating activities and liability repayments, plans to raise significant funds, mainly by selling part of the Company’s holdings in its investees, disposal of other assets, securing financing backed by participation units in Delek Drilling, and raising capital (as of the financial statements' publication date, the Company raised a total of NIS 313 million).

The Company's Board of Directors, having reviewed the forecast sources and uses report presented by Management, under different scenarios, believes, based on past experience, the Company's proven ability to raise funds in recent years and the Company's assets, that the assumptions underlying the report are reasonable. The Company's Board of Directors also believes that the Company will be able to secure the sources of financing indicated in the projected cash flows, required to settle the Company's liabilities. See also Note 1 to the consolidated financial statements concerning the COVID-19 epidemic and its effects on the Company's business.

The forecast presented in this report refers to the Company and its wholly-owned staff companies, including Delek Energy Systems Ltd. ("Delek Energy"), and other wholly-owned staff companies such as: DKL Investments Limited, DKL Energy Limited, Delek Infrastructure Ltd., Delek Financial Investments (2012) Limited Partnership, Delek Petroleum Limited, and Delek Hungary Holdings Limited (jointly - "the Company and Its Staff Companies").

Projected cash flows for the Company and its wholly-owned Staff Companies:

	Assumptions	From Oct. 1, 2020 to Dec. 31, 2020	2021	From Jan. 1, 2022 to Sept. 31, 2022
Opening balance - cash and liquid balances	**1**	**139**	**378**	**2,246**
Inflows				
Forecast earning distributions from Delek Drilling	2	123	246	57
Forecast dividend distributions from Ithaca	3	345	52	115
Dividend distributions from Delek Israel	4	-	59	-
Total dividends from investees		**468**	**357**	**172**
Cash consideration from the sale of Delek Israel shares (see Note 3E(4) to the consolidated interim financial statements)	5	450	-	-
Disposal of investees and other assets	5	75	213	-
Capital raising - Company shares / exercised warrants	6	140	50	-
Other inflows	7	44	-	-
Equity transaction in Ithaca (introduction of partner / merger / pre-IPO / IPO)	8	-	1,380	-
Total other inflows		**709**	**1,643**	**-**
Financing against pledge of Delek Drilling participation units coupled with a capital-raising round	9	-	600	-
Financing against pledge of Ithaca shares	10	-	690	-
Financing / disposal of remaining shares in Delek Israel	11	-	-	72
Securitization of overriding royalties from Leviathan	12	608		
Total loans and additional raising		**608**	**1,290**	**-**
Total inflows		**1,785**	**3,290**	**244**
Outflows				
Principal payments on debentures	13	(455)	(915)	(1,436)
Interest payments on debentures	13	(47)	(261)	(169)
Actual payments made on BNP's loan	14	(443)	-	-
Future loan payments	10, 14	-	(24)	(173)
Payments on bank loans	15	(339)	-	-
Interest payments on bank loans and other liabilities	15	(30)	(58)	(143)
Safety buffer to cover interest and issuance costs related to the securitization of overriding royalties from Leviathan	12	(98)	-	-
Total debt payments (principal and interest)		**(1,412)**	**(1,258)**	**(1,921)**
Other outflows	16	(134)	(164)	(146)
Total other outflows		**(134)**	**(164)**	**(146)**
Total outflows		**(1,546)**	**(1,422)**	**(2,067)**
Closing balance - cash and liquid balances		**378**	**2,246**	**423**

Assumptions underlying forecast cash flows for October 1, 2020 to September 30, 2022

General assumptions

- USD amounts were translated at an exchange rate of USD 1 = NIS 3.45.
- Debentures and loans are linked to the known CPI as of September 30, 2020.
- The forecast cash flow report includes actual repayment (in October 2020) of the entire debt to the Relevant Banks, as defined in the amended deed, by the end of 2020. Upon full repayment of the debt to said banks, all participation units in Delek Drilling which were pledged to secure these bank debts were released to the banks' trustee. As of the end of October 2020, the Company pledged 40% of Delek Drilling's participation units to its debenture holders, in accordance with the amended deed.
- The forecast cash flow report does not account for the restricted cash balances and the expected date of their release back to the Company. The Company's and the staff companies' pledged deposits and investments in marketable securities near the financial statements' approval date totaled NIS 160 million.
- **Assumptions underlying specific projected cash flow items**

  1. Cash and liquid balances

     The item includes the following balances, as of September 30, 2020 (NIS millions):

	September 30, 2020
Cash balance	38
Financial investments (mainly marketable securities)	101
Total	**139**

  2. Forecast earning distributions from Delek Drilling

     It is estimated that Delek Drilling will distribute earnings (to all holders) of USD 100 million for 2020 (USD 65 million were announced in November 2020 and will be distributed by the end of 2020, and USD 35 million in early 2021), and USD 125 million for 2021 (USD 95 million in 2021, and USD 30 million in early 2022). The projected cash flow accounts for the Company's share (54.7%).

     Earning distributions from Delek Drilling are mainly based on expected cash flows from Delek Drilling's operating activities, and Delek Drilling's payout capacity.

     The assumption underlying this cash flow is that earning distributions by Delek Drilling receivable for Delek Drilling's pledged participation units will serve to repay the liabilities (debentures) for which the units were pledged.

  3. Forecast dividend distributions from Ithaca

     The forecast is based on the assessment that Ithaca will distribute USD 15 million in dividends in 2021 and an additional USD 30 million (Company's share) in the nine month period ending September 30, 2022. This is in addition to USD 100 million in dividends paid out by Ithaca in early November 2020.

     Dividend distributions from Ithaca are mainly based on expected cash flows from Ithaca's operating activities, and assessments by Ithaca's management.

  4. Forecast dividend distributions from Delek Israel

     The forecast is based on the assessment that Delek Israel will distribute dividends from its current earnings (the Group's share - NIS 20 million). This estimate is based mainly on a business forecast compiled by Delek Israel's management, Delek Israel's payout capacity, and the shareholders' agreement which sets a minimum dividend payout policy. A further dividend is expected from the consideration received following the sale of the power plants.

5. Disposal of investees and other assets

   A. Cash consideration received on the disposal of Delek Israel - In October 2020, the Company completed the sale of 70% of Delek Israel's share capital, at a value of NIS 750 million. On the completion date, a cash consideration was paid, to the amount of NIS 450 million, against 60% of Delek Israel's share capital. The remaining consideration of NIS 75 million will be transferred by the buyer by June 30, 2021, against 10% of Delek Israel's share capital. The buyers were also granted an option to buy up to an additional 5% of Delek Israel's share capital by June 30, 2021, in consideration for NIS 37 million, assuming full exercise of said option (for more information, see Note 3E3).

   B. Disposal of investees and other assets - Reflects expected considerations on the exercise of options granted to the buyers of Delek Israel's shares (see sub-section (a) above) and an expected cash consideration on the sale of a real estate property in Acre.

6. Capital raising - Company shares and warrants to Company shares

   The Company's Board of Directors has decided to work to raise NIS 450 million in capital in 2020, and NIS 50 million in the first four months of 2021. Of this amount, the Company has already raised a total of NIS 313 million (in May 2020, the Company raised a total of NIS 137 million in capital, and raised a further NIS 176 million in August 2020). The remaining amount which the Company is actually required to raise by the end of 2020 totals NIS 140 million. This amount may be obtained by exercising warrants issued as part of the aforesaid capital raising rounds. Near the financial statements' approval date, a total of NIS 5.9 million was received from the exercise of warrants (Series 9). For more information concerning these capital raising rounds and the issue of warrants accompanying these raising rounds, see Note 7 to the consolidated financial statements.

7. Other inflows

   Reflects repayment of the loan given by the Company. The item also includes surplus cash flows which the Company expects to receive from the refinancing of its building in Herzliya.

8. Equity transactions in Ithaca

   The Company is working to introduce a partner and/or to sell part of Ithaca's shares (including through a sale effected as part of an IPO) and/or to raise funds through a pre-IPO process for Ithaca's shares and/or a combination of these actions to a total amount of USD 400 million. In this context, it is noted that the Company is studying options for merging Ithaca with global energy companies with the intention of taking the merged company public on the London Stock Exchange.

9. Financing against pledge of Delek Drilling participation units coupled with a capital-raising round

   According to the amended deed which the Group has negotiated with its debenture holders, NIS 300 million in financing against the Group's unencumbered holdings in Delek Drilling participation units will be coupled with a capital raising round of similar value. The assumption is that these actions will yield cash flows of NIS 600 million.

10. Financing against pledge of Ithaca shares

    The Group is working to secure USD 200 million in financing against the pledge of Ithaca's shares. For information concerning a loan from a foreign bank secured by Ithaca's shares, see Section 14 below. The assumption is that the new loan will be payable over four years, with the first principal payment due one year after the loan's start date, in 2022.

11. Financing / disposal of part of the remaining shares in Delek Israel

    Debt-raising and/or sale involving part of Delek Israel's shares held by the Group, based on Delek Israel's value as set in the sale of Delek Israel's shares in October 2020, with adjustments for dividend payments.

12. Securitization of overriding royalties from Leviathan

    The Group has raised a loan against a specific pledge of its rights and Delek Energy's rights to overriding royalties from Leviathan. The secured debentures total USD 180 million (NIS 608 million). Net of a safety buffer to cover interest payments and issuance costs. the net consideration totaled USD 151 million (NIS 510 million). Thus, the forecast did not include future inflows from said overriding royalties, and the assumption is that these inflows will service the interest and principal payments on this loan.

13. Principal and interest payments on debentures

    Based on the amortization schedules for the Company's and staff companies' debentures.

    For more information on agreements with debenture holders, see Note 10 to the consolidated financial statements.

14. Repayment of BNP loan / refinancing

    In November 2020, the Group repaid USD 100 million of the balance outstanding of the BNP loan. The Group plans to repay another USD 30 million through the proceeds from its sale of Delek Israel's shares. Following these repayments, the balance of this loan will amount to only USD 7 million, and is expected to be repaid in full in early 2021. Following on Section 9 above concerning the refinancing backed by a pledge of Ithaca shares – Such financing is based on the assumption that one quarter of the debt balance is expected to be repaid in 2022.

15. Loan payments to banks and others, net

    The cash flows include payments made by the Company in October 2020 in full repayment of its bank debt balances, to the amount of NIS 339 million. These repayments were made in accordance with the Company's commitments toward the banks from June 2020.

    Following full repayment of these debts, 40% of Delek Drilling's participation units were pledged to the Company's debenture-holders.

16. Other outflows

    The item includes tax payments on previous years, general and administrative expenses, other unforeseen payments, and changes in the value of financial investment balances as of the financial statements' approval date.

17. The forecast does not account for options to dispose of additional assets (in lieu of or in addition to raising debt backed by such assets. These include: options to sell overriding royalties from Leviathan; options to dispose of Delek Drilling's unencumbered shares; sale of real estate assets; seller's loan in The Phoenix transaction; and additional capital transactions involving Delek Israel's shares and Ithaca's shares; etc. The Company will consider such transactions based on market conditions and the materialization of the assumptions underlying the above cash flows.

    Warning concerning forward-looking information - In the attached projected cash flow, the Company has included, both for its own operations and for the operations of its investees, forward-looking information as defined in the Securities Law, 1968. This information includes, among other things, the probability for the materialization of relevant business scenarios expected to yield inflows for the Company, the time frames for the materialization of such scenarios; results of operations; possible alternatives for securing sources to meet the liabilities of the Company and the staff Companies as they become due; the amounts and timing of debenture and loan repayments for the Company and the staff companies and other forecasts, assessments, assumptions, and other information concerning future events or matters, whose materialization is uncertain and outside the Company's or its investees' control, especially in light of the extreme uncertainty prevailing on the report's approval date due to the COVID-19 epidemic.

6. Analysis of Operations by Segment

A) Oil and gas exploration and production in and around Israel

As aforesaid, oil and gas exploration and production in and around Israel are carried out mainly through Delek Drilling.

Results of oil and gas exploration and production in and around Israel, as included in the Group's results (NIS millions):

	1-9/2020	1-9/2019	7-9/2020	7-9/2019	2019
Revenues from gas sales net of royalties	**1,982**	**1,012**	**810**	**350**	**1,332**
Operating profit (adjusted for impairment and losses on disposal of oil and gas assets)	**1,271**	**455**	**526**	**201**	**652**
Loss on disposal of oil and gas assets and investment, post-tax	(235)	-	-	-	(3)
Impairment of oil and gas assets	(57)	-	-	-	-
EBITDA	**1,716**	**785**	**718**	**258**	**1,089**
Finance income (expenses), net	(617)	142	(249)	50	217
Net profit (loss) attributable to Group shareholders	**74**	**300**	**127**	**139**	**476**
Gas sales from Tamar, in BCM (*)	5.8	7.8	2.4	2.8	10.5
Gas sales from Leviathan, in BCM (*)	5.3	-	2.2	-	-
Gas sales in BCM (*)	**11.1**	**7.8**	**4.6**	**2.8**	**10.5**
Condensate sales - thousands of barrels (***)	**674**	**359**	**320**	**127**	**482**

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

(**) The data relate to condensate sales (100%) from the Tamar and Leviathan projects, rounded to thousands of barrels.

Analysis of the Oil and Gas Exploration and Production in and around Israel segment's results

In the reporting period, oil and gas exploration and production in and around Israel yielded a profit of NIS 74 million, as compared to a net profit of NIS 300 million in the same period last year. This year-on-year decrease was mainly due to losses on disposal of the investment in Cohen Development, to the amount of NIS 235 million (post-tax). It is further noted that, in the present period, the Partnership does not discount credit costs for the Leviathan Project, as gas production has come online. The profit attributable to the Group's shareholders adjusted for losses on the disposal of Cohen Development as aforesaid totaled NIS 309 million in the reporting period. Furthermore, in the same period last year the Group recognized expenses of NIS 80 million from fair value adjustments to the investment in Tamar Petroleum.

In the third quarter of 2020, oil and gas exploration and production yielded a profit of NIS 127 million. This, compared with a profit of NIS 139 million in the same quarter last year. The decrease in net profit was mainly due to the aforesaid factors concerning credit costs for the Leviathan project.

Revenues from gas sales net of royalties

In the reporting period, revenues from oil and gas sales, net of royalties, totaled NIS 1,982 million, compared with NIS 1,012 million in the same period last year. The increase was mainly attributable to the start of production in the Leviathan Reservoir, as aforesaid. This increase was partially offset by lower revenues from the Tamar Reservoir, mainly due to the COVID-19 epidemic (see Note 1 to the consolidated financial statements) and the start of production from the Leviathan Reservoir.

In the third quarter of 2020, revenues from gas and oil sales net of royalties amounted to NIS 810 million, compared to NIS 350 million in the same quarter last year. The increase was mainly attributable to the start of production in the Leviathan Reservoir, as aforesaid.

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

Operating profit in the reporting period amounted to NIS 1,271 million, compared to NIS 455 million in the same period last year. This increase in operating profit was mainly due to the start of production in the Leviathan Reservoir. Furthermore, operating profit was lower in the corresponding period of last year due to a NIS 134 million fair value adjustment to the investment in Tamar Petroleum.

In the third quarter of 2020, operating profit totaled NIS 526 million, as compared to NIS 201 million in the same quarter last year. This increase in operating profit was mainly due to the start of production in the Leviathan Reservoir.

Finance income (expenses), net

In the reporting period, net finance expenses totaled NIS 617 million, as compared to net finance income of NIS 142 million in the same period last year. This year-on-year increase in finance expenses was mainly due to credit costs no longer being discounted for the Leviathan Project, as it reached the end of the development stage and began producing natural gas. Furthermore, income was recorded in the corresponding period last year on the revaluation of a contingent consideration concerning the Karish and Tanin leases. This income totaled NIS 125 million in the corresponding period last year, as compared to revaluation income of NIS 14 million in the reporting period.

In the third quarter of 2020, net finance expenses amounted to NIS 249 million, compared with net finance income of NIS 50 million in the corresponding quarter last year. This year-on-year increase in finance expenses was mainly due to credit costs no longer being discounted for the Leviathan Project, as it reached the end of the development stage and began producing natural gas.

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

	1-9/2020	1-9/2019	7-9/2020	7-9/2019	2019
Net profit from Delek Drilling's statements	**780**	**526**	**357**	**216**	**802**
Indirect holdings (%)	54.7%	59.8%	54.7%	59.8%	59.8%
Group's share	**442**	**314**	**195**	**129**	**480**
Income tax	(38)	(90)	(6)	(30)	(112)
Revenues from overriding royalties	26	25	8	10	37
Results of direct holdings in Yam Tethys (4.44%)	(3)	(6)	-	(4)	(9)
Amortization of excess acquisition costs **)	(36)	(23)	(14)	(6)	(15)
General and administrative expenses	(14)	(14)	(11)	(3)	(18)
Finance income (expenses), net	(68)	94	(45)	43	93
Other income (expenses)	(235)	-	-	-	20
Contribution to net profit from oil and gas exploration and production	**74**	**300**	**127**	**139**	**476**

*) In 2019, the Group's indirect holdings in Delek Drilling totaled 59.8%. It is noted that, in March 2020, the Company's indirect holdings in Delek Drilling went down to 54.7%.

(**) Current amortization of excess cost attributable to the Tamar and Leviathan projects (previously recognized as part of the Cohen Development transaction).

For more information on oil and gas exploration and production in and around Israel, see Notes 1, 3F, 5, 6 and 10 to the consolidated financial statements.

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

Ithaca Energy ("Ithaca") is an independent oil and gas operator operating in the North Sea, holding both production and development oil and gas assets.

On November 8, 2019, Ithaca completed the purchase of 100% of CNSL's share capital from Chevron North Sea Limited ("CNSL"). CNSL owns ten actively-producing oil and gas assets and exploration licenses. CNSL's financial statements are consolidated in the Group's statements as of that date.

It is noted that the Group has reached the conclusion that CNSL's acquisition constitutes a proforma event as defined in the Securities Regulations (Periodic and Immediate Reports), 1970. Thus, the Group has prepared proforma financial statements to reflect the Group's results had CNSL's financial statements been consolidated in the Group's financial statements in the periods prior to the transaction, based on the proforma assumptions detailed in the proforma statement attached to this report. Furthermore, in the reporting period Ithaca, through an independent third-party appraiser, completed the attribution of consideration from the acquisition to CNSL’s assets and liabilities. The results of this attribution do not differ from the temporary attribution applied in previous periods. The attribution of the consideration from the acquisition is attached as Appendix B to this report.

For more information on this transaction, see Chapter 2 above, and Note 3 to the consolidated financial statements.

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

Statement of Financial Position

(USD millions)	September 30, 2020	December 31, 2019
Cash and cash equivalents	4	15
Financial derivatives	98	60
Other current assets	248	267
Investments in oil and gas exploration and production	1,974	2,903
Other assets, net (mainly deferred taxes)	741	589
Goodwill	767	982
Total assets	**3,832**	**4,816**
Current liabilities (trade and other payables)	279	419
Bank loans, RBL, and debentures	1,225	1,514
Loan from the Delek Group	271	261
Other long-term liabilities (mainly obligation to disassemble assets)	1,294	1,335
Equity attributable to Ithaca's shareholders	**763**	**1,287**
Total liabilities and equity	**3,832**	**4,816**

Income statement

(USD millions)	1-9/2020	1-9/2019	7-9/2020	7-9/2019		2019
Revenues from oil and gas sales	891	273	267	68		582
Cost of sales (excluding depreciation and inventory turnover)	(305)	(105)	(102)	(36)		(205)
Depreciation expenses	(267)	(78)	(70)	(24)		(190)
Oil and gas inventory turnover	(19)	(9)	(13)	10		2
Gross profit	**300**	**81**	**82**	**18**		**189**
Impairment of gas and oil assets and goodwill	(970)	-	(4)	-		(199)
Bargain purchase gains	-	-	-	-		(22)
Other expenses, net	(25)	(8)	(7)	(2)		(43)
Finance expenses, net	(173)	(62)	(48)	(22)		(112)
Profit (loss) before income tax	**(868)**	**11**	**23**	**(6)**		**(187)**
Tax benefit (tax expenses)	258	12	(7)	7		148
Net profit (loss) attributable to Ithaca's shareholders	**(610)**	**23**	**16**	**1**		**(39)**
Output in the reporting period (KBoe)	**18,654**	**4,717**	**5,410**	**1,440**		**10,435 (proforma - 27,590) *)**
Average daily output (KBoed)	**68.1**	**17.3**	**58.8**	**15.7**		**28.6 (proforma - 75) *)**

*) Proforma - including the output of CNSL's operations for all of 2019.

Cash flow from operating activities and adjustment to net profit

(USD millions)	1-9/2020	1-9/2019	7-9/2020	7-9/2019	2019
Income after hedging	**859**	**260**	**249**	**66**	**584**
Operating expenses	(291)	(95)	(99)	(31)	(199)
General, administrative, currency, and other expenses	(21)	(7)	(2)	(8)	(27)
Cash flows from operating activities	**547**	**158**	**148**	**27**	**358**
Depreciation and amortization	(267)	(78)	(70)	(24)	(190)
Impairment of gas and oil assets and goodwill	(970)	-	(4)	-	(199)
Other non-cash income (expenses)	-	-	7	9	-
Finance expenses, net	(178)	(69)	(58)	(18)	(156)
Tax benefit (tax expenses)	258	12	(7)	7	148
Net profit (loss) attributable to Ithaca's shareholders	**(610)**	**23**	**16**	**1**	**(39)**

Additional data concerning Ithaca's results:

Revenues

Ithaca's revenues in the reporting period totaled USD 624 million, as compared to revenues of USD 205 million in the same period last year. Revenue composition was as follows:

Sales revenues (USD millions)	1-9/2020	1-9/2019	7-9/2020	7-9/2019		2019
Oil	456	134	141	26		334
Natural gas	103	67	30	13		127
NGL (natural gas liquids)	26	17	9	4		29
Other income	3	-	1	-		1
Gains on hedges	303	55	86	25		91
Total	**891**	**273**	**267**	**68**		**582**

The year-on-year increase in revenues in the reporting period was mainly due to increased volumes of oil and gas sales, mainly following the addition of new in-production oil assets through CNSL's acquisition. However, in the reporting period, the COVID-19 epidemic caused a drop in oil and gas prices, which adversely affected Ithaca's revenues.

Output in the reporting period totaled 18.7 mmbl (68.1 bbl/day, on average). The average selling price for a barrel of oil (before hedging effects) was down to USD 44 in the reporting period, as compared to USD 65/bbl in the same period last year. Furthermore, gas prices were down in the reporting period, from 36 pennies/therm on average in the first half of 2019, to 18 pennies/therm on average in the present period, following a decrease in gas prices in England. It is noted that the negative impact of these price drops was largely mitigated by Ithaca's hedges on gas and oil prices. These hedges are made as part of Ithaca's risk management policy. The effect of these hedges on Ithaca's revenues amounted to an additional USD 303 million in revenues in the reporting period (USD 86 million in revenues, in the third quarter of 2020).

Cost of sales

In the reporting period, cost of revenues (excluding depreciation costs and inventory turnover) totaled USD 305 million, as compared to USD 105 million in the same period last year. The bulk of this year-on-year increase was due to the acquisition of CNSL's assets, as aforesaid. Average production costs totaled USD 15 per barrel in the reporting period, as compared to USD 20 per barrel in the same period last year.

In the reporting period, depreciation and amortization costs totaled USD 267 million, as compared to USD 78 million in the same period last year. This increase in depreciation costs was mainly due to amortization of newly-acquired assets (CNSL's assets and increased rights in the GSA Project), which are depreciated in line with their output.

Impairment of gas and oil assets and goodwill

In the first quarter of 2020, the Group recognized a provision for impairment of oil and gas assets in the North Sea and a write-down of goodwill, to the amount of USD 667 million, post-tax (NIS 2.4 billion). This impairment was mostly due to the crisis on the global energy markets, caused by the COVID-19 epidemic and the price war between Russia and Saudi Arabia, which lowered forecasts for oil and gas prices. The impairment was also partially driven by a decrease in reserves. The recoverable amount is set as the fair value of a cash-generating unit, net of selling costs. This fair value was measured by an independent third-party appraiser, based on the expected future cash flows from oil and gas sales, net of selling costs, and considering the assumptions used by reasonable market players to determine fair value. Cash flows were discounted using a post-tax discounting rate of 10.5%. It is noted that, as of June 30, 2020, the Group performed another valuation to test for impairment of goodwill attributable to Ithaca's operations. This valuation indicated that no additional impairment needed to be recognized. As of September 30, 2020, there were no signs of additional impairment. For more information, see Note 5S to the consolidated financial statements.

Finance income (expenses) from hedges

As part of its risk management strategy, Ithaca hedges oil and gas prices, mainly through put options and swaps. As of September 30, 2020, Ithaca had open price hedges on 12 mmbl of oil, at an average hedged price of USD 48/bbl. Ithaca also had open price hedges on 413 million therms of gas, at an average hedged price of 53 pennies/therm. The value of these hedges as of September 30, 2020 reflects an asset of USD 82 million (NIS 281 million).

It is noted that, in light of the drop in oil prices, in the reporting period Ithaca exercised some of its hedges, and swapped them for hedges reflecting current oil price forecasts. These activities generated a cash flow of USD 156 million for Ithaca in the reporting period. For more information on these hedges, see note 8C to the consolidated financial statements.

Other finance expenses, net

Net finance expenses (excluding effects from hedges) totaled USD 124 million in the reporting period, as compared to USD 48 million in the same period last year. Finance expenses were up mainly due to changes in loan terms and volumes in connection with CNSL's acquisition.

For more information on Ithaca's operations, see Notes 1, 3, 5, 8, and 10 to the consolidated financial statements.

C) Fuel Operations in Israel

Data from the financial statements of Delek Israel, which as of September 30, 2020 was a wholly-owned (100%) Group subsidiary (NIS millions):

Statement of Financial Position

	September 30, 2020	December 31, 2019
Cash and cash equivalents	20	54
Current assets (excluding cash and cash equivalents and held-for-sale assets)	983	1,449
Held-for-sale assets	853	-
Property, plant and equipment	655	1,958
Right of use assets	897	920
Other long-term assets	232	619
Total assets	**3,640**	**5,000**
Short-term credit from banks and others	629	1,088
Liabilities attributed to held-for-sale assets	516	-
Current liabilities (excluding credit and liabilities on held-for-sale assets)	796	1,064
Long-term loans from banks and others	264	821
Other long-term liabilities (mainly from leasing)	759	835
Equity attributable to Delek Israel's shareholders	**675**	**1,191**
Non-controlling interests	**1**	**1**
Total liabilities and equity	**3,640**	**5,000**

In light of plans to sell Delek Israel's shares as of September 30, 2020, Delek Israel's assets and liabilities (including from Pi Gliloth and power plant operations) as of September 30, 2020 are presented as held-for-sale assets and as liabilities associated with held-for-sale assets, respectively. In the reporting period, the results of Delek Israel's operations were presented under the 'Profit (loss) from discontinued operations, net' item, with reclassification of comparative data (for more information, see Note 3E).

It is further noted that, subsequent to the financial position date, in October 2020, a transaction was completed to sell 70% of Delek Israel’s shares in consideration for NIS 525 million, reflecting a value of NIS 750 million for Delek Israel. Upon completion, the buyer paid NIS 450 million in cash, against the transfer of 60% of Delek Israel’s share capital to the buyer. The remaining consideration of NIS 75 million will be transferred by the buyer by June 30, 2021, against 10% of Delek Israel’s share capital. For more information, see Note 3E(4) to the consolidated interim financial statements.

Income statement

	1-9/2020	1-9/2019	7-9/2020	7-9/2019	2019
Revenues	2,145	3,701	716	1,282	4,846
Gross profit	397	524	176	178	684
Sales and gas station operating expenses	342	360	111	116	487
General and administrative expenses	59	55	19	25	63
Other expenses, net	26	5	-	6	11
Profit (loss) from operating activities	**(30)**	**104**	**46**	**31**	**123**
Finance expenses, net	49	34	10	4	44
The Company's share in the losses of associates, net	-	-	-	-	2
Profit (loss) before income tax	**(79)**	**70**	**36**	**27**	**77**
Income tax (tax benefit)	(16)	13	10	4	12
Profit (loss) from continuing fuel operations in Israel	(63)	57	26	23	65
Profit (loss) from discontinued operations *)	(259)	21	-	7	26
Net profit (loss) from continuing fuel operations in Israel	**(322)**	**78**	**26**	**30**	**91**
EBITDA (adjusted for other expenses and the effects of IFRS 16)	84	144	44	56	187

*) Refers to Pi Gliloth operations sold in July 2020, and power plant operations in Ashkelon and Sorek, whose sale is expected to be completed in the coming year. For more information, see Note 3E to the consolidated financial statements.

Analysis of the results of continuing fuel operations in Israel

General

In the reporting period, Delek Israel's losses from continuing operations totaled NIS 63 million, as compared to a profit of NIS 57 million in the same period last year.

As of September 30, 2020, Delek Israel had 237 public gas stations (of which 176 were operated by Delek Israel) and 194 convenience stores (of which 159 were operated by Delek Israel, with the rest operated by franchises).

Revenues

Sales net of government taxes ("Net Sales") totaled NIS 2,145 million in the reporting period, as compared to NIS 3,701 million in the same period last year. Net Sales in the third quarter of 2020 totaled NIS 716 million, as compared to NIS 1,282 million in the same quarter last year.

This year-on-year decrease was mainly due to the COVID-19 epidemic, which caused a material drop in distillate prices and a general slowdown in the economy from the second half of March 2020, and subsequent decrease in distillate sales volumes.

Sales turnover in Company- and franchise-operated Menta convenience stores in the reporting period totaled NIS 380 million, as compared to NIS 383 million in the same period last year. Sales turnover in Company- and franchise-operated Menta convenience stores in the third quarter of 2020 totaled NIS 144 million, as compared to NIS 138 million in the same period last year.

Gross profit

Gross profit in the reporting period amounted to NIS 397 million, compared with NIS 524 million in the same period last year. Gross profit adjusted for inventory gains/losses amounted to NIS 454 million in the reporting period, as compared to NIS 529 million in the same period last year.

Gross profit in the third quarter of 2020 totaled NIS 176 million, as compared to NIS 178 million in the same quarter last year. In the third quarter of 2020, gross profit adjusted for inventory gains/losses amounted to NIS 164 million, as compared to NIS 185 million in the same quarter last year.

The year-on-year decrease in gross profit in the reporting period was mainly due to higher inventory losses (losses of NIS 57 million in the nine months ended September 30, 2020, as compared to a loss of NIS 5 million in the same period last year), and lower revenues, as aforesaid.

Sales, gas station operation, and general and administrative expenses

In the reporting period, sales and gas station operation expenses totaled NIS 342 million, compared with NIS 360 million in the same period last year. In the third quarter of 2020, these expenses totaled NIS 111 million, as compared to NIS 116 million in the same quarter last year.

General and administrative expenses totaled NIS 59 million in the reporting period, as compared to NIS 55 million in the same period last year. In the third quarter of 2020, these expenses totaled NIS 19 million, as compared to NIS 25 million in the same quarter last year.

Sales, and general and administrative expenses were down in the third quarter of 2020 due to streamlining efforts by Delek Israel to mitigate the COVID-19 epidemic's impact on operations.

Operating loss and EBITDA

Delek Israel's operating losses in the reporting period totaled NIS 30 million, as compared to operating profits of NIS 104 million in the same period last year. Adjusted for inventory gains/losses, the effects of IFRS 16, and other expenses ("Adjusted Operating Profit"), operating profit in the reporting period totaled NIS 41 million, as compared to NIS 100 million in the same period last year.

Operating profit in the third quarter of 2020 amounted to NIS 46 million, as compared to NIS 31 million in the same quarter last year. In the third quarter of 2020, Adjusted Operating Profit totaled NIS 30 million, compared to NIS 42 million in the same quarter last year.

This year-on-year decrease in Adjusted Operating Profit in the reporting period and third quarter of 2020 was mainly due to the COVID-19 epidemic, as aforesaid.

Delek Israel's EBITDA (operating profit excluding one-time results and inventory gains/losses and excluding the effects of IFRS 16) totaled NIS 84 million and NIS 144 million, respectively, in the reporting period and in the same period last year.

Finance expenses, net

Net finance expenses in the reporting period amounted to NIS 49 million, as compared to NIS 34 million in the same period last year.

Net finance expenses in the third quarter of 2020 amounted to NIS 10 million, compared with NIS 4 million in the same quarter last year.

For more information concerning fuel operations in Israel, see Notes 1 and 3 to the consolidated financial statements.

D) Additional operations

Infrastructures

For information concerning the sale of the Group's holdings in power plants, see Note 3E2 to the consolidated financial statements.

For information concerning the sale of the Company's remaining holdings (20%) in IDE, see Note 3B to the consolidated financial statements.

B. Market Risk Exposure and Management

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

As of	USD representative exchange rate NIS	GBP representative exchange rate	Known CPI Points *)
September 30, 2020	3.441	4.411	100.1
September 30, 2019	3.482	4.280	100.9
December 31, 2019	3.456	4.560	100.7
Change during the year	**%**	**%**	**%**
1-9/2020	(0.4)	(3.3)	(0.6)
1-9/2019	(7.1)	(10.7)	0.5
Q3/2020	(0.7)	3.7	0.1
Q3/2019	(2.4)	(5.3)	(0.7)

*) Base index - 2014 average.

2. Linkage bases report as of September 30, 2020:

	Israeli Currency		Foreign Currency						
	Unlinked	**CPI-linked**	**USD**	**Other currencies**	**Fair value**	**Monetary items in overseas operations (USD)**	**Held-for-sale assets**	**Non-monetary item**	**Total**
Assets									
Current assets	56	7	26	-	6	2,689	-	435	3,219
Held-for-sale assets	-	-	-	-	-	-	3,670	-	3,670
Non-current assets	143	25	-	22	539	2,135	-	29,673	32,537
Total assets	**199**	**32**	**26**	**22**	**545**	**4,824**	**3,670**	**30,108**	**39,426**
Liabilities									
Current liabilities	4,460	1,590	103	-	-	1,940	-	729	8,822
Held-for-sale liabilities	-	-	-	-	-	-	2,951	-	2,951
Non-current liabilities						15,883		6,410	22,293
Total liabilities	**4,460**	**1,590**	**103**	**-**	**-**	**17,823**	**2,951**	**7,139**	**34,065**
Assets less liabilities, net	**(4,261)**	**(1,558)**	**(77)**	**22**	**545**	**(12,999)**	**719**	**22,969**	**5,361**

C. Aspects of Corporate Governance

Directors with accounting and financial expertise

The Company's Board of Directors has determined that there shall be a minimum of two directors having accounting and financial expertise. At the end of June 2020, Mr. Avi Harel and Mrs. Yehudit Titelman Zidnberg (outside director), both of whom have accounting and financial expertise, announced their resignation as of July 1, 2020. On June 29, 2020, Mr. Udi Erez was appointed as a Company director. Based on Mr. Udi Erez' declarations, the Company's Board of Directors has determined that he constitutes a director having accounting and financial expertise. On August 25, 2020, Mrs. Ruth Dahan-Portnoy was appointed an outside director in the Company, having accounting and financial expertise.

D. Disclosure relating to the Company's financial reporting

1. Critical accounting estimates

For information about main accounting estimates, see Note 2B to the consolidated financial statements.

2. Events after the financial position statement date

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

E. Dedicated disclosure for debenture holders

1. Information on debentures issued by the Company, including debentures hold by a wholly-owned subsidiary partnership of the Company:

Series	Issue date (including expansions)	Par value Original	Par value balance as of Sept. 30, 2020	Nominal interest rate	Linkage	Carrying amount as of Sept. 30, 2020	Interest accrued in the books as of Sept. 30, 2020	Repayment dates (principal/ interest)	Stock exchange value as of September 30, 2020	Trustee
B13	3/2007	913	183	Until listing - +5.1%, after listing - 4.6%	Israeli CPI	221	-	Principal and interest payments on Mar. 29 and Sept. 29 in each of 2020-2021	160	Hermetic Trust (1975) Ltd. 113 Hayarkon St. Tel Aviv Tel: 03-5274867 - Dan Avnon
B18	11/2009 6/2010 7/2011	1,062	531	6.1%	Israeli CPI	578	15	Interest payments on Apr. 30 and Oct. 31 and principal payments on Oct. 31 in each of 2020-2022	410	Reznik Paz Nevo RPN Trusts 2007 Ltd., 14 Yad Harutzim St., Tel Aviv Tel: 03-6389200, Elad Sirkis
B19	11/2010	560	420	4.65%	Israeli CPI	446	8	Interest payments on May 10 and Nov. 10 and principal payments on Nov. 10 in each of 2020-2022	309	Hermetic Capital Ltd. 113 Hayarkon St. Tel Aviv Tel: 03-5544553 - Tzuri Galili
B22	6/2007	500	188	4.50%	Israeli CPI	226	3	Principal and interest payments on Jun. 30 and Dec. 31 in each of 2020-2021	162	Mishmeret - Trusts Services Company Ltd., 48 Menahem Begin St., Tel Aviv, Tel: 03-6374335/4, Atty. Rami Katzav, CPA.
B31	2/2015 6/2015 10/2015 2/2017	3,276	3,108	Until the rating downgrade (Mar. 22, 2020) - 4.3% From Mar. 23, 2020 - 5.3%	Un-linked	3,108	19	Interest payments on Aug. 20 and Feb. 20 and principal payments on Feb. 20 in each of 2020-2025	1,407	Hermetic Trust (1975) Ltd. 113 Hayarkon St. Tel Aviv Tel: 03-5274867 - Dan Avnon
B33	7/2016	705	705	Until the rating downgrade (Mar. 22, 2020) - 2.8% From Mar. 23, 2020 - 3.8%	Convertible and non-linked	705	6	Interest payments on Jul. 10 and Jan. 10 in each of 2020-2022; principal payment on Jan. 10, 2022	357	Hermetic Trust (1975) Ltd. 113 Hayarkon St. Tel Aviv Tel: 03-5274867 - Dan Avnon
B34	2/2018	521	519	Until the rating downgrade (Mar. 22, 2020) - 4.48% From Mar. 23, 2020 - 5.48%	Un-linked	519	7	Interest payments on Jun. 30 and Dec. 31 and principal payments on Dec. 31 (except Dec. 31, 2022) in each of 2020-2028	237	Hermetic Trust (1975) Ltd. 113 Hayarkon St. Tel Aviv Tel: 03-5274867 - Dan Avnon

2. Additional information on debentures convertible to Company shares

Series	Conversion to shares	Conversion ratio	Key conversion terms	Forced conversion
B33	Delek Group Ordinary shares 1084188	Conversion ratio in the period from July 11, 2019 to December 31, 2021 - 1,278.52907	The right to conversion into Company shares will stand on each day of trading until December 31, 2021, such that every NIS 1,278.52907 par value in Debentures (Series B33) may be converted to one ordinary share in the Company. Adjustments will be made following distribution of bonus shares, participation in rights issuances, and dividend distributions.	The Company is entitled to forced conversion if the closing price for the Company's shares on the TASE for 15 consecutive days of trading exceeds NIS 2,000 (starting July 11, 2019)

3. For more information on the debenture plan, see Note 10 to the consolidated financial statements.

4. For a current rating report on the Company's Debentures (Series B13, B22, B31, B33, B34), see S&P Maalot's report of September 30, 2020, included herein by way of reference, adjusting the debentures' rating from ilCCC-Negative to ilCCC-Developing. See the Company's immediate report of September 30, 2020 (ref. no. 2020-01-106689), included herein by way of reference. It is noted that, on April 1, 2020, S&P Maalot issued a report downgrading its rating for the Company's Debentures (Series B13, B22, B31, B33, B34) from ilA/Stable to ilBBB-Negative. On May 5, 2020, S&P Maalot issued another report downgrading the Company's Debentures (Series B13, B22, B31, B33, B34) from ilBBB-Negative to ilCCC-Negative.

Financial covenants (debentures)

In June 2020, the Company signed an amendment to the deeds of trust between the Company and the holders of its various debenture series. The amended deeds of trust specified grounds for immediate repayment, as follows:

- In the period until May 31, 2021, the trustee and the debenture holders will not call for immediate repayment of the debentures on grounds based solely on the state of the Company's business as it was at the time of the amended deed's publication and/or on grounds concerning a low rating of the Company's debentures.
- Until the publication date of the first quarter statements in 2021, the grounds for immediate repayment specified in the deeds of trust concerning low equity - shall not apply. For statements from the second quarter of 2021 and until the annual statements for 2023, the holders will have grounds for immediate repayment if the equity after deducting additional equity arising from revaluations and equity as presented in the statements are lower than the levels specified in the amended deed for these purposes. From the statements for the first quarter of 2024 onwards, the debenture holders will have ground to call for immediate repayment if the equity presented in the Company's statements falls below NIS 2.6 billion.
- Until the publication date of the first quarter statements in 2021, the grounds for immediate repayment specified in the deeds of trust concerning the equity to balance sheet ratio - shall not apply. For statements from the second quarter of 2021 and until the annual statements for 2023, requirements have been specified for the equity to balance sheet ratio. Should the company fail to meet these requirements for two consecutive quarters, the holders will have grounds for immediate repayment. From the statements for the first quarter of 2024, the debenture holders will have grounds to call for immediate repayment should the equity to balance sheet ratio according to the Company's separate statements fall below 20% for two consecutive quarters.

The amended deed includes additional declarations and obligations for the Company, including: (a) concerning uses for proceeds from capital issuances and/or dividends and/or sales and/or pledges of certain assets; (b) an obligation not to deposit monies and/or securities with the creditor banks of the Company or companies under its control, except for certain permissible exceptions; (c) an obligation not to acquire assets and/or make investments and/or assume credit and/or assume fiscal liabilities toward financial creditors and/or change the terms of certain credit agreements, except for certain permissible exceptions; (d) in the Effective Period: the Company's general and administrative expenses will not exceed such amounts as specified, the Company will not make distributions, the Company and companies under its control will not undertake transactions in which the controlling shareholder has a personal interest (except for officers' insurance and existing contracts as disclosed in the statements), the Company and private companies under its control will neither sell nor buy Company debentures; (e) obligations to provide the trustees with various notices; (f) an obligation to cover the fees and expenses of the trustees and their agents. It was furthermore agreed that a violation of any of the Company's obligations under the amended deed would grant the trustees and the debenture holders grounds to call for immediate repayment, and a right to exercise all sureties provided to the trustees.

For more information, see also Note 10 to the consolidated financial statements.

F. Additional information

1. Buyback of securities

On December 27, 2018, the Company's Board of Directors approved a buy-back plan (through the subsidiary partnership) of Company shares and/or debentures to a monetary amount of up to NIS 100 million, for the period of January 1, 2019 to December 31, 2019. Furthermore, on October 6, 2019, the Company's Board of Directors approved another buy-back plan (through the subsidiary partnership) of Company shares and/or debentures to a monetary amount of up to NIS 100 million, for the period of October 6, 2019 to October 7, 2020.

As part of these plans, in 2019 the subsidiary partnership bought an additional 207,821 shares in the Company, in consideration for NIS 111 million, as well as NIS 2 million in Company debentures.

As of December 31, 2019, the subsidiary partnership held 450,760 shares in the Company.

In the reporting period, the subsidiary partnership bought an additional 135,662 shares in the Company in consideration for NIS 60 million. As of the report's approval date, the subsidiary partnership held 586,422 Company shares. The Company and the subsidiary partnership also bought NIS 26 million in Company debentures.

2. Company employees

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

Sincerely

Gabriel Last	**Idan Wallace**
Chairman of the Board	CEO

Signature date: November 25, 2020

Appendix A to the Board of Directors' Report

Breakdown of principal and interest payments on the Company and the staff companies' debentures and bank and other loans as of September 30, 2020 (in NIS millions):

		Oct. 1, 2020 - Dec. 31, 2020	2021	2022	2023	2024	2025 onward	Total
Debentures	Principal	455 (**)	915	1,778	796	796	1,040	5,780
	Interest	47	261	189	121	79	64	761
Loans and credit facilities from banks and others (*)	Principal	909 (***)	24	-	-	-	-	933
	Interest	28	2	-	-	-	-	38
Total		1,439	1,202	1,967	917	875	1,104	7,504

(*) Excluding a convertible liability.

(**) As of the financial statements' approval date, the Company has repaid a total of NIS 342 million of this amount. Furthermore, an amount whose balance near the financial statements' approval date totaled NIS 247 million was deposited in a deposit pledged to the debenture-holders' trustee.

(***) Of this amount, NIS 339 million were paid in October 2020 to the Relevant Banks, as full repayment of the Company's debts to them. Furthermore, in early November 2020, a foreign subsidiary repaid a foreign bank to the amount of USD 100 million (NIS 340 million). The Group plans to repay another USD 30 million (NIS 100 million), so that following such repayments, the Group's debts to said foreign bank will total only USD 7 million.

In addition, on October 28, 2020, the Company signed a refinancing agreement to the amount of NIS 145 million, which will serve to repay the financing for the building owned (72%) by the Company in Herzliya, which totaled NIS 120 million as of September 30, 2020.

Appendix B to the Board of Directors' Report

In accordance with Regulation 8B to the Securities Regulations, the following is an assessment attributing the acquisition consideration to CNSL's assets and liabilities:

Focus of valuation:	Attribution of acquisition consideration to CNSL's assets and liabilities as of the acquisition date
Study date:	November 8, 2020
Value immediately prior to the valuation date had Israeli GAAP, including depreciation and amortization, not required a change in value pursuant to the valuation:	Not applicable.
Value following assessment:	Consideration from the acquisition totaled USD 1,727 million
Identity and details of appraiser:	The study was prepared by Duff & Phelps, a global consulting firm with over 3,500 employees across 28 countries. The company was founded in 1932, and provides consulting services to numerous clients, including about 50% of the S&P500 companies. The company provides a range of consulting services, including valuations, tax services, and M&A consultancy. The company's valuations team comprises more than 1,200 professional staff and experts in financial consulting, including PPAs, impairment testing for goodwill and intangible assets, and valuation analysis. According to the contract with the appraiser, except in the event of improper conduct or fraud by the appraiser, its liability is limited to its fees. The Company also undertook to indemnify the appraiser for any damage it may incur as a result of third party lawsuits, except if a competent court decides that the lawsuit was caused directly by gross negligence, intentional improper conduct or fraud by the appraiser.
The valuation model employed:	Mainly discounted cash flows
Assumptions used by the appraiser in the valuation, under the valuation model:	The key assumptions underlying the valuation include revenue and expense forecasts bearing in mind, among other things, production flows and quantities, forecast oil and gas prices, the inflation rate, and removal costs. In its valuation, the appraiser mainly applied the discounted cash flow method, using a post-tax discounting rate of 9%, and forecast Brent oil prices of USD 61/barrel in 2020, USD 63/barrel in 2021, and reaching USD 73/barrel in 2024.

Delek Group Ltd

Purchase Price Allocation for the Acquisition of Chevron North Sea Limited by Ithaca Energy Ltd, a subsidiary of Delek Group Limited as of November 08, 2019

November 8, 2020

November 8, 2020

Private and Confidential

Tamir Polikar,
Chief Financial Officer
Delek Group Ltd
19 ABBA eBAN BLVD
P.O.B 2054
Herzliya 4612001
Israel

Valuation Services in Connection with the Purchase Price Allocation of Chevron North Sea Limited

Dear Mr. Polikar,

Pursuant to your request, Duff & Phelps Ltd ("Duff & Phelps" or "D&P") has provided services to you in relation to certain assets and liabilities of Chevron North Sea Limited ("CNSL" or the "Company") following its acquisition by Delek Group Ltd ("Delek") via its North Sea oil and gas operator Ithaca Energy ("Ithaca") in November 2019 in accordance with International Financial Reporting Standard 3 'Business Combinations' 2008) ("IFRS 3").

We understand that a Purchase Price Allocation ("PPA") must be completed for reporting purposes. The objective of the Purchase Price Allocation exercise is to estimate the Fair Values of the assets and liabilities of CNSL ("Subject Assets") as of November 08, 2019 (the "Valuation Date"). The PPA was based on the fact and circumstances as of the Valuation and did not take into account subsequent events such as the economic impact of the Corona virus ("COVID-19"). The PPA exercise has been performed by Ithaca's management ("Management"). As part of our Services, we have reviewed this analysis, and can confirm that we consider the procedures undertaken to be reasonable. We understand that the results of our Services will be used solely for the purpose of assisting Management in its allocation of the total purchase price among the assets acquired for financial reporting purposes in accordance with IFRS 3. We are aware that Delek management ("Delek Management") may wish to use our opinion for the preparation of the financial statements of Delek Group Ltd and if necessary also to attach it to the financial statements and publish it, and we give our consent.

As used herein, IFRS 13 defines Fair Value as "*the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date*". In estimating the Fair Value of the subject assets and liabilities (the "Fair Value"), we have assumed the existing business to be ongoing.

The full details of the terms of our engagement are included in our engagement letter dated October 11, 2019.

We wish to note that we have no personal interest in the shares of the companies named in this report. In addition, the payment we receive for preparing it is not contingent upon the results of the valuation.

We have appreciated the opportunity to work with you on this engagement. Please call Mathias Schumacher on +44 20 7089 4720 if we can be of further assistance.

Yours sincerely,

Duff & Phelps Ltd

Duff & Phelps
By: Mathias Schumacher
Managing Director

Contents

Section 01

Introduction

Purpose

We are pleased to submit this report describing the services Duff & Phelps has undertaken to assist with the Purchase Price Allocation (the "PPA" or the "Services"), as set forth in the following report and exhibits (collectively, the "Report"), relating to the acquisition of CNSL by Delek via its North Sea oil and gas operator, Ithaca (the "Transaction") as of the Valuation Date. We understand that the results of our analysis will be used to assist Management with financial reporting requirements as of the Valuation Date.

This report and accompanying exhibits set forth the information and assumptions used in reaching our Fair Value conclusions. All tables presented are in United States Dollars ("USD") in thousands unless otherwise noted.

Introduction to Duff & Phelps

Duff & Phelps is a valuation and corporate finance advisor with a global presence, with more than 3,500 employees across more than 28 countries worldwide. Founded in 1932, Duff & Phelps provides advisory services to more than 7,500 clients, including nearly 50.0 percent of the S&P 500. We offer a variety of diverse services, including valuation advisory, tax services, mergers and acquisitions advisory, and restructuring services among others. The Valuation Advisory Services team within Duff & Phelps comprises over 1,200 professionals and specialises in financial reporting advisory, including purchase price allocations, goodwill and intangible impairment testing, fresh start accounting, and business valuations.

Scope of Services

It is understood that the Services to be provided will be used to assist Management with valuation related matters pertaining to the acquisition of CNSL for financial reporting purposes in accordance with International Accounting Standards ("IAS") and, in particular International Financial Reporting Standard 3, *Business Combinations* ("IFRS 3"). As part of the Engagement, we will review the PPA exercise performed by Management in order to allow Management to:

a) Estimate the value of the tangible assets of the Company including the oil and gas reserves, plant property and equipment, and inventory;
b) Identify any intangible assets (if applicable) to be recognized apart from goodwill pursuant to IFRS 3 and IAS 38 *Intangible Assets*.

As part of the Services we have reviewed the procedures undertaken and assumptions made by Management in estimating the Fair Value of the assets outlined above.

In the course of our Services, we have also investigated whether other assets, intangible assets or liabilities are subject to separate recognition and valuation.

In the course of our Services, we will use and rely upon financial and other information, including prospective financial information and on the Fair Value or other amounts of certain Assets and Liabilities, obtained from Management and from various public, financial, and industry sources. Our conclusion will be dependent on such information being complete and accurate in all material respects. We will not accept responsibility for the accuracy and completeness of such provided information.

Please refer to our limiting conditions section for further details on scope.

While we considered accounting guidance, along with regulatory considerations, we do not purport to offer accounting advice and cannot accept responsibilities for any specific accounting interpretations or subsequent changes in the applicable accounting literature.

Definition of Fair Value

The Fair Value of an asset (or liability) is defined as *"the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date"*.[1]

IFRS 13 states that a Fair Value measurement assumes the highest and best use of the asset by market participants, considering the use of the asset that is physically possible, legally permissible and financially feasible at the measurement date. In broad terms, highest and best use refers to the use of an asset by market participants that would maximize the value of the asset or the group of assets within which the asset would be used; moreover, the highest and best use is based on the use of the asset by market participants, even if the intended use of the asset by the reporting entity is different.

The highest and best use of the asset by market participants establishes the valuation premise used to measure the Fair Value of the asset: 1) in-use, if the asset would provide maximum value to market participants principally through its use in combination with other assets as a group (as installed or otherwise configured for use) or in combination with other assets and liabilities (e.g. a business); or, 2) in exchange, if the asset would provide maximum value to market participants principally on a standalone basis.

We only considered facts that were known or knowable as of the Valuation Date and did not take into consiederation any subsequent evenst such as the economic impact of the Coroba virus.

Sources of Information

In the course of our Services, we relied upon financial and other information, including prospective financial information, obtained from Management and from various public, financial, and industry sources. Our conclusion is dependent on such information being complete and accurate in all material respects. The principal sources of information used in performing our Services include:

- Ithaca's Cashflow Valuation Model, including production and financial projections for the lifetime of each of CNSL's oil and gas fields;
- Workings supporting the Fair Values of Plant, Property & Equipment as estimated by Management as of the Valuation Date;

[1] IFRS 13: *Fair Value Measurement*

- Workings supporting Management's Fair Values of Decommissioning Costs, as well as other key assets and liabilities;
- The oil and gas price forecasts used by Management as well as those obtained from various industry sources including analyst reports with long-term estimates;
- Publicly available financial statements and other information for comparable companies; and
- Other available information relevant to the valuation of the Subject Assets.

We also used selected third party databases for financial information, including:

- Standard and Poor's Capital IQ database;
- Duff & Phelps 2019 Valuation Handbook: Guide to Cost of Capital;
- Bloomberg LP; and
- International Monetary Fund ("IMF") inflation forecast.

Procedures

In general, our procedures included, but were not limited to, the following:

- Analysis of conditions in, and the economic outlook for the oil and gas industry;
- Discussions with Ithaca's management and Management to understand the composition of the assets held on Ithaca's balance sheet as of the Valuation Date;
- Review of the Fair Value estimation and PPA analysis prepared by Management;
- Analysis of financial data for publicly traded companies engaged in the same or similar lines of business as the Company;
- Estimation of an appropriate Weighted Average Cost of Capital ("WACC") for use in the Income Approach;
- Preparation of this report providing details of the methods employed by Management, sources of information, assumptions and conclusions; and
- Analysis of other facts and data considered pertinent to the PPA exercise in order to verify the conclusions of Fair Value proposed by Management.

Section 02

Economic & Industry Overview

Introduction

United Kingdom Economic Overview[2]

In performing our analysis, we considered the general economic outlook as of the Valuation Date and its potential impact on the Subject Assets. An assessment of the general economy can often identify underlying causes for fluctuations in the financial and operating performance of a company.

United Kingdom

Brexit continued to dominate the UK 's political and economic landscape during the December general election's campaign. The Conservative Party's victory, which yielded PM Boris Johnson the largest majority in Parliament since the 1930's, paved the way for a 2020 Brexit. The FTSE 100 and the pound saw significant gains right after the election, due to relief from the Labour Party's manifesto, which included the nationalisation of large corporation in key strategic sectors. However, markets faltered at the prospect of a hard Brexit in 2020.

GDP growth and inflation:

UK economic growth dipped into negative levels in Q2 2019 for the first time since 2012, a contraction that set the UK economy one quarter away from technical recession. However, GDP growth picked up next year at 0.3 percent in Q3 and the Bank of England expects it to sit at 1.2 percent and 1.8 percent for 2020 and 2022, respectively.

Consumer confidence, retail activity and real estate price growth have been subdued by the on-going uncertainties over Brexit and the UK's future in the EU. The manufacturing PMI in Q3 2019 showed slightly positive QoQ figures, although contractive market conditions in the sector are only expected to worsen by next year. Similarly, inflation has been following a downward trajectory, settling below target at 1.7 percent in Q3 2019. The Bank of England predicts the CPI to decline to a three-year low below 1.6 percent in Q4 2019, as a result of lower oil prices and government caps on household energy bills3.

The UK economy's GDP growth outlook is positive, unlike the US and EU which show signs of slowdown, although the baseline growth was already weak due to the prolonged Brexit process. Inflation is sitting comfortably at the BoE's target and is expected to stay around that range for 2020 and 2021. We note that FX fluctuations and the Brexit process in general may have significant impact on inflation, similarly to the 2017 – 2018 period where the weakening pound pushed inflation close to 3 percent.

[2] Based on recent economic research publications from the WorldBank, International Monetary Fund and CIA 'World Factbook'.

[3] https://uk.reuters.com/article/uk-britain-economy-inflation/uk-inflation-unexpectedly-overshoots-boe-target-in-july-idUKKCN1V40R5

Oil and Gas Industry Structure

Crude oil and natural gas were originally recovered from reservoirs contained within sedimentary rocks. As technology has improved, new and more efficient methods of extraction have been developed such that now alternative hydrocarbon reservoirs can be exploited, for example oil shale and tar sands. The modern supply chain of the oil & gas industry is divided into three segments: Upstream, Midstream, and Downstream. Ithaca Energy Inc. and CNSL operate within the Upstream sector.

Upstream

The terms Upstream is used to describe companies engaged in the search for, followed by the recovery and production of crude oil and natural gas. This is the essential first stage of the oil & gas industry production process. Firms operating at this stage in the industry supply chain perform activities which can generally be classified as: Searching for and selecting potential oil sites, evaluating these sites, drilling exploratory wells, and finally operating these wells for crude oil and natural gas extraction. The primary assets of companies in this segment are rigs and machinery used for the drilling operations. Once a promising site has been found, the next stage involves drilling exploratory wells to see not only if oil is present, but if it is also in sufficient quality and quantity. If the exploratory drilling proves successful, the final stage of the upstream process is the production of unrefined, crude oil. Typically, a rig site will continue to produce crude oil for between ten and twenty years, but the site life is dependent upon geographical, environmental and technological factors.

Midstream

Following the Upstream process in the oil and gas supply chain are firms operating in the Midstream segment. Firms in the Midstream process store, ship, market and transport petroleum goods. Although the Midstream process can include elements of the Upstream and Downstream processes, Midstream activities typically involve the use of 'gathering systems' which transport oil and gas from the point of origin to a central storage facility. The raw products are then held at these storage facilities until they can be transported via pipeline, rail or tanker truck to the refinery, where they are then transformed into marketable petroleum products.

Downstream

Lastly, the Downstream sector is the final producer-to-consumer component of the oil and gas Industry. It is at this stage that crude oil arrives at processing plants where it is refined and eventually turned into various products which will then be sold to the market. Products associated with the Downstream sector include: Liquefied petroleum gas, liquefied natural gas, gasoline and other fuels, pharmaceuticals and fertilisers.

Oil and Gas Industry Factors

The oil and gas industry is influenced by factors both at the market and macroeconomic level. Some of the top risk factors cited by major Upstream oil and gas companies include volatile oil and gas prices, natural disasters and extreme weather conditions, and political risks.

Oil & Gas Price Risks

The volatility of oil and gas prices is the primary factor affecting the economic viability of oil and gas operations. As the industry, particularly in the Upstream activities, is highly capital intensive, companies are more hesitant to make large scale commitments and give final investment decisions ("FID") to new projects in a volatile price environment. Projects with a more difficult or unconventional extraction process, and therefore a higher cost base, are especially susceptible to price risk. In low price environments extraction activities may be shut down completely, leaving operators unable to earn a return on their initial project investment.

Regulatory and Political Risks

Political risks in the oil and gas industry are largely due to regulatory changes. Regulation can impact how and when reserves are extracted, transported, and processed, and may derive from political, economic, or environmental motivations. In addition to regulatory risk, governmental risks are also a concern in the industry, particularly for companies operating in developing countries with histories of unstable dictatorships. Historically major risks were encountered when operating in these environments include sudden nationalisation, anti-competitive favouring of domestic corporations and profits stolen by the state.

World Oil and Gas Market

As of the Valuation Date, Brent Crude ("Brent") and West Texas Intermediate ("WTI") oil were trading at USD 62.51/bbl and USD 57.24/bbl respectively, with Henry Hub and National Balancing Point Natural Gas trading at USD 2.79/MMBtu and 42p/therm.[4]

2019 witnessed ongoing geopolitical tensions in the Middle East including the drone strikes on two oil processing facilities in Saudi Arabia and a continued trend of US International Oil Companies exiting the North Sea, including both the Norwegian Continental Shelf ("NCS") and UK North Sea ("UKNS"). The year was also characterized by a well-supplied oil market resulting in weak crude-prices and against a backdrop of a subdued global economy. In addition, the US surpassed Saudi Arabia and Russia to become the world's largest crude oil producer. Gas has also been impacted negatively in an over supplied market with liquefied natural gas ("LNG") supply outstripping weak European gas demand.

In September 2019, two Saudi Arabian oil processing facilities were attacked in a drone strike. These plants produced 6 percent of the global oil production and the incident had the initial impact of increasing the Brent oil price by 20 percent

[4] Bloomberg

before settling down. However, full production had been restored by the end of the month. This did restore calm in the markets but also highlighted the vulnerability of the Saudi processing facilities. The much-anticipated IPO of Saudi Aramco finally took place in December 2019, when the Saudi goliath's shares started trading on the local exchange (Tadawul Stock Exchange).

The strategy behind the decision of US majors exiting the North Sea basin relies on the fact that oil economics are shifting to more profitable plays. The merger between Chevron and Anadarko earlier in the year has signaled a change of paradigm among the US majors, some of which are refocusing on the more profitable U.S. shale plays and LNG projects. ConocoPhillips, ExxonMobil and Chevron have deployed a strategy of exiting the maturing North Sea and instead focusing on the shale plays in the US. On the other hand, North Sea based independent producers have been active in buying the assets which are being offloaded by these American majors. In September 2019, private equity backed Chrysaor completed the acquisition of ConocoPhillips' British North Sea oil and gas business to cement its position as the basin's top producer.

Section 03

History and Nature of the Business

Company Profiles[5]

Delek Group Ltd ("Delek")

Delek Group is an independent exploration and production company focused on the development of reserves in the Levant Basin off the coast of Israel, including Leviathan and Tamar among others. In addition, Delek has international operations, with a focus on high-potential opportunities in the North Sea through Ithaca, as well as in North America. Delek's shares are traded on the Tel Aviv Stock Exchange (TASE: DLEKG) and are part of the TA 35 Index.[6]

Ithaca Energy Inc ("Ithaca")

Ithaca is an oil and gas operator with assets focused in the North Sea, with an asset base including both producing and exploratory oil and gas fields. Ithaca's primary focus is on the development of the Greater Stella Area ("GSA") licenses, located in the Central North Sea. Ithaca first became involved with the GSA assets in 2008, when it completed transactions with Shell, Esso, and Maersk to acquire an interest in the Stella and Harrier licenses.

The GSA assets are comprised of the Stella, Hurricane, Harrier, Vorlich, and Austen discoveries. These five fields are serviced from a central hub known as the FPF-1 floating production facility (the "FPF-1"). The FPF-1 was refurbished beginning in 2011 and work was completed in August 2016. Following the completion of FPF-1 updates, production began at the Stella field in February 2017. Ithaca intends to initially operate the FPF-1 for extraction from five wells at the Stella field, with the Harrier field to follow. The Hurricane, Vorlich and Austen discoveries remain in the exploration stage, but eventually will also be serviced by the FPF-1.

Chevron North Sea Limited ("CNSL")

Chevron North Sea Limited produces crude oil and natural gas from the United Kingdom North Sea. The company was incorporated in 1981 and is based in Aberdeen, United Kingdom.

Overview of the Transaction

Ithaca, an indirectly wholly owned (100 percent) subsidiary of Delek has acquired of the shares of CNSL for USD 1.7 billion. The deal includes ten producing fields (4 operated and 6 non-operated by CNSL) in the UK North Sea. The deal establishes Delek as the second largest independent oil and gas producer in the UK North Sea behind Chrysaor. Delek will continue to operate four of the ten fields (namely – Alba, Alder, Captain and Erksine). The transaction officially closed on November 08, 2019. The following table illustrates the fields acquired along with the working interest held by CNSL:

[5] Based on information available on Delek's and Ithaca's websites and corporate presentations.
[6] Delek-Group Company Website and S&P Capital IQ

Field	Working Interest
Captain	85.0%
Alba	23.4%
Erskine	50.0%
Britannia	32.4%
Brodgar	12.5%
Enochdhu	50.0%
Callanish	16.5%
Alder	73.7%
Elgin-Franklin	3.9%
Jade	19.9%

Source: Management Provided details

Purchase Consideration

The purchase consideration totaled USD 1.73 billion. This includes a headline equity consideration of $2.0 billion, as well as several adjustments made as per the completion statements for the Transaction. The table below illustrates the items considered as a part of the consideration, as calculated by Management;

Purchase Consideration (USD Millions)	
Headline Consideration	**2,002**
Working capital adjustment	140
Cash balance	30
Cash extraction loan adjustment	(510)
Excluded asset adjustment	96
Notional CT on excluded asset adjustment	(24)
Decommissioning costs adjustment	(7)
Notional CT on decommissioning costs adjustment	3
Stamp duty adjustment	(2)
Intercompany settlement adjustment	0
Net Purchase Consideration	**1,727**

Source: Management Provided Financials, Transaction Completion Statement

Section 04

Financial Projections

Financial Projections

Management provided us with detailed forecasts for the lifetime of each of Ithaca and CNSL's oil and gas fields in their financial model. These projections included production forecasts as well as estimates of operating and central costs, capital expenditures, and key assumptions around pricing and inflation. We understand that these forecasts were created based on technical reports and appraisals conducted for the reserves by Ithaca's consultant, Netherland Sewell & Associates Inc. ("NSAI"), as well as the opinion and expertise of the Company's technical staff and Management. Based on our analysis and experience, we consider these forecasts to be reasonable from a market participant perspective.

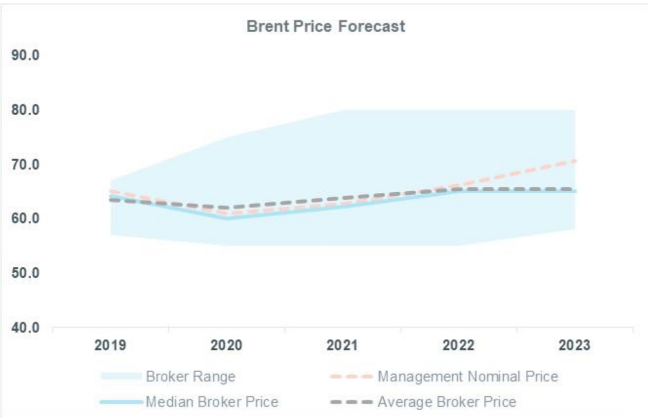
We have reviewed the financial projections which Management relied upon for the purposes of their analysis. These forecasts were based on the following assumptions:

Revenues

Revenues for Ithaca are derived through the extraction and sale of the oil and gas reserves associated with each of the field assets. Revenues were estimated for each field based on the field's respective production profile and real price forecasts over the life of the field. These projections were then further adjusted to account for inflation.

Price Forecasts

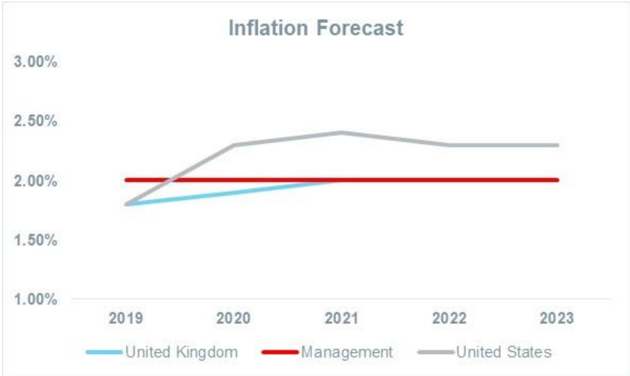
Management provided us with real price forecasts. The real commodity price curve is further converted to nominal terms using a 2.0 percent inflation. Additionally, we note that there is a price-differential applied to each filed, apart from Britannia. The commodity price differential is applied to compensate for the "quality of oil/gas being produced" or the "distance from mouth", which reflects the logistics of bring the crude/gas to the market. We have compared Management's price forecasts to those of other analysts, and conclude that they are reasonable. The graph below illustrates a comparison of Ithaca's oil price forecasts as compared to analyst/broker estimates until 2023:



Source: Bloomberg

Inflation

Management relied upon an inflation assumption of 2.0 percent annually in their projections. To validate this assumption we compared it to the International Monetary Fund's ("IMF") long term inflation expectations as of October 2019 which are illustrated below:



Source: IMF Inflation forecast as at October 2019

We note that while revenues for CNSL are forecast in USD, most of the Company's costs are incurred in GBP, and we therefore considered inflation expectations for both the US and the UK. We found that the IMF's forecast concluded on a long term inflation assumption of close to 2.0 percent for both countries, and therefore consider management's assumption to be reasonable.

Operating Expenses and Central Costs

Management has provided us with estimates of the cash operating costs required for the day-to-day operation of the extraction activities. In addition, CNSL will incur some central costs, such as administrative expenses and hedging costs. Management has estimated these costs over the life of the assets

Capital Expenditures

The capital expenditures reflected in Management's forecasts include investments in wells and associated facilities among other investments. We note that under UK regulations capital expenditures in the oil and gas industry are immediately depreciable, and are thus treated as expenses in the projections.

Abandonment Costs

At the end of the life of each oil and gas field, Ithaca will incur abandonment costs. These costs are associated with decommissioning the equipment and facilities, and also provide for Ithaca to meet requirements for and environmental clean-up required once production has ceased.

Taxes

CNSL's operations are subject to a 30.0 percent corporate tax as well as a 10.0 percent supplementary tax, for a total tax rate of 40.0 percent. We understand that in the course of acquiring and developed its assets, Ithaca has accrued significant net operating losses ("NOLs"). Going forward, profits of CNSL can be offset by Ithaca's existing NOLs, and therefore CNSL is not anticipated to pay taxes over the first years following the Transaction. However, under a market participant approach Management has estimated the value of the oil and gas fields on a post-tax basis assuming that CNSL would pay 40.0 percent in taxes.

Section 05

Valuation Approaches

Valuation Approaches

There are three generally accepted approaches used for estimating the Fair Value of an asset:

- The Market Approach;
- The Income Approach; and
- The Cost Approach.

The appropriate approach for estimating the Fair Value in any given situation depends on the nature of the asset under consideration and the circumstances surrounding the given situation.

Income Approach

"Valuation techniques that convert future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. The Fair Value measurement is determined on the basis of the value indicated by current market expectations about those future amounts." [7]

The Income Approach is a valuation technique that provides an estimation of the Fair Value of the Subject Asset based on the cash flows that the asset can be expected to generate in the future over its RUL. The Income Approach is generally an important indicator of value to the owner and to a prospective purchaser of intangible, income-producing assets because it permits a comparison to be made with alternative investment opportunities. It is not unusual for a prospective purchaser to evaluate the reasonableness of the purchase price of the intangible, income producing assets by estimating the present value of the projected net cash flows from the asset.

Market Approach

"A valuation technique that uses prices and other relevant information generated by the market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business". [8]

The Market Approach estimates value based on what other purchasers and sellers in the market have agreed to as prices for comparable assets. This approach is based on the principle of substitution, which states that the limits of prices, rents, and rates tend to be set by the prevailing prices, rents, and rates of equally desirable substitutes. In conducting the Market Approach, we gather data on reasonably substitutable assets and make adjustments for such factors as market conditions, location, conditions of sale, income characteristics, etc. The resulting adjusted prices lead to an estimate of the price one might expect to realize upon sale of the asset.

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[7] IFRS 13: *Fair Value Measurement.*
[8] Ibid.

Cost Approach

"A valuation technique that reflects the amount that would be required to currently replace the service capacity of an asset (often referred to as current replacement cost)."[9]

The Cost Approach is a valuation technique that uses the concept of replacement cost as an indicator of value. The premise of the Cost Approach is that an investor would pay no more for an asset than the amount for which the asset could be replaced. Adjustments are made to reflect losses in value resulting from functional and/or economic obsolescence. We have used a cost approach to value the Licenses, Technology and the Assembled Workforce.

Selected Approaches

Management has valued the oil and gas field assets using an Income Approach. Based on discussions with Management, our industry experience and the above considerations, we concur that the Income Approach is the most appropriate methodology to use for the valuation of the operating oil and gas fields.

[9] IFRS 13: *Fair Value Measurement*

Section 06

Valuation of Oil and Gas Assets

Overview

We held initial discussions with Management to better understand CNSL's balance sheet assets and liabilities as of the Valuation Date. As a result of these discussions, we understand that Management have performed their own analysis to estimate the Fair Value of the assets and liabilities of CNSL. We have focused our Services on reviewing Management's Fair Value estimates for the Oil and Gas fields, and other balance sheet items.

The Oil and Gas and Property, Plant, and Equipment ("PP&E") represent the overall assets relating to the ten fields acquired as part of the Transaction, as well as minor fixtures and fittings.

PP&E – Management Fair Value Estimate (USD Millions)

Captain	1,498
Alba	59
Alder	65
Erskine	139
Britannia	133
Brodgar	17
Callanish	39
Elgin/Franklin	153
Enochdhu	22
Jade	34
Fixtures and Fittings	10
Total PP&E	**2,169**

Source: Management Analysis

Application of the Income Approach

Management provided us with detailed forecasts over the lifetime of each of the oil and gas fields. Management's application of the Income Approach relied on these forecasts, which we understand are based on third party estimates from NSAI.

Under the Income Approach, the Fair Value of each field was estimated based on the present value of the expected future cash flows from exploiting the identified reserves and resources as of the Valuation Date. Although the analysis varied slightly to account for differences between the fields, the following generally describes the procedures performed by Management to estimate the Fair Value of each field:

1. Production was forecast for each period based on the reserves and resources present;
2. Revenue was calculated for each period based on the nominal price assumptions employed;
3. Operating expenses, capital expenditures, and other costs were estimated for each period;

4. Taxable income was estimated by subtracting the costs described in Step 3 from total revenue;
5. The pre-tax cash flows were then discounted to present value to obtain an estimate of the Fair Value of the reserves and resources associated with each field; and
6. A tax rate of 40.0 percent was applied to the discounted values to calculate the post-tax Fair Value of each field.

Further details of these procedures are described below:

Revenues

Revenues were estimated by NSAI for each field based on the field's respective production profile and real price forecasts over the life of the field. These projections were then further adjusted to account for inflation.

Price Forecasts

As previously described, Management provided us with their estimated price forecasts for Brent oil and NBP gas, which we consider reasonable.

Inflation

As previously described, Management considered an inflation rate of 2.0 percent annually, which we consider reasonable.

Capital Expenditures

Management relied on capital expenditure projections provided by NSAI, which include investments in wells and associated facilities among other investments. We note that under UK regulations capital expenditures in the oil and gas industry are immediately depreciable, and are thus treated as expenses in Management's projections.

Abandonment Costs

We note that although abandonment cost projections were shown in the Management model for the fields, Management have not reflected these expenses in the cash flows used for the purposes of the determining the Fair Value of the PP&E for the purpose of the PPA. These costs are reflected separately as Decommissioning Liabilities.

Taxes

CNSL's operations are subject to a 30.0 percent corporate tax as well as a 10.0 percent supplementary tax, amounting for a total tax rate of 40.0 percent. As previously discussed, Ithaca has accrued significant NOLs, which can be used to offset future CNSL profits. However, for the PPA exercise a market participant approach is required. Management have therefore calculated the cash flows arising from each field on a pre-tax basis, and further adjusted this value by 40.0 percent, assuming that CNSL would pay the standard tax rate.

We note that each of the cash flows calculated according to the above assumptions was further adjusted to reflect CNSL's ownership stake in the respective field asset.

Risk Factor

We note that the projections for the CNSL fields include both forecasts based on 2P reserves and 2C resources. In order to reflect the additional uncertainty associated with the 2C resources, Management has applied an additional risk factor to all cash flow projections related to these resources. Management has applied a factor of 65.0 percent to the NPV of these cash flows, i.e 35.0 percent of the total cash flows are included. We consider it reasonable to adjust the cash flows associated with 2C resources given the increased uncertainly.

Discount Rate

The post tax cash flows associated with each field were then discounted to present value using the calculated WACC. Ithaca Management have utilised a WACC of 9.0 percent in their calculations. We have corroborated the WACC using a bottom-up approach and calculated a WACC of 9.0 percent. We conclude that the 9.0 percent WACC utilised by Ithaca in their calculations appears reasonable. See Exhibit 2.0 for details of our WACC calculation.

Summary of PP&E Fair Values

The table below summarizes the Fair Value (in USD Millions) of the oil and gas assets acquired as part of the Transaction:

Fair Value of Oil and Gas Assets	
Total PP&E	**2,169**

Other Assets and Liabilities Recognised

In the course of the PPA exercise, Management also accounted for additional assets and liabilities as follows:

Other Assets & Liabilities

The Fair Value of the other assets such as working capital, inventory and fixtures & fittings has been provided by Management. Management have also included some minor liabilities on the balance sheet related to two lease liabilities. While Management have provided us with the workings for some of these calculations, we have not conducted a detailed review of the other assets and liabilities as part of our analysis.

Decommissioning Liabilities

Management have estimated the Fair Value of decommissioning liabilities held on the balance sheet based on current estimates of the decommissioning costs associated with each field. We understand that these liabilities reflect only the expected cost to remediate development created to-date (and exclude any expected future development). These cost estimates have been adjusted to account for the inflation expected over the life of each field, and have then been discounted to present value at a rate of 4.0 percent. Given the relative certainty of the decommissioning costs relative to the other cash flows for the business, 4.0 percent was determined to be conservative and reasonable. We therefore concluded that Management's estimation of the Fair Value of the decommissioning liabilities as of the Valuation Date is a reasonable representation of Fair Value. The table below summarizes the total decommissioning liabilities:

Decommissioning Liabilities (USD Millions)

Captain	(272.8)
Alba	(78.6)
Alder	(55.7)
Erskine	(31.7)
Britannia	(137.9)
Brodgar	(9.8)
Callanish	(7.2)
Elgin/Franklin	(32.3)
Enochdhu	(17.1)
Jade	(23.9)
Heather	(93.0)
Strathspey	(180.7)
Total	**(940.7)**

Source: Management Provided Financials

We have been notified by Management that Heather and Strathspey are owned by a third party, not CNSL. While CNSL will undertake the decommissioning expenses for these two fields, they will be reimbursed in full for these costs.

Receivable for Decommissioning Reimbursement

As described above, we understand that while CNSL expects to pay decommissioning costs for the Heather and Strathspey fields, they will be reimbursed for these costs. Management have therefore create a corresponding receivable asset on the balance sheet.

Deferred Tax Asset

Management have created a deferred tax asset on the balance sheet in relation to the decommissioning liabilities. When incurred, these expenses will act as a tax shield. We note that while some costs may be incurred when the Company no longer has positive pre-tax income, in this case a tax rebate will be issued. The Deferred tax asset is therefore estimated as the 40.0 percent tax rate multiplied by the total present value of Decommissioning Liabilities.

Deferred Tax Liability

A deferred tax liability was created on the balance by multiplying the total Fair Value of the PP&E by the tax rate of 40.0 percent. We note that prior to the acquisition the CNSL field assets were fully depreciated, therefore the new Fair Value represents the total step-up in value on these assets.

Section 07

Weighted Average Cost of Capital

Discount Rate Determination

When applying the Income approach, the cash flows expected to be generated by a business or asset are discounted to their present value equivalent using a rate of return that reflects the relative risk of the investment, as well as the time value of money. In determining the appropriate discount rate to be applied to the forecasted cash flows, we considered the weighted average cost of capital ("WACC").

Weighted Average Cost of Capital

The WACC is calculated by weighting the required returns on interest-bearing debt and common equity capital in proportion to their estimated percentages in an expected industry capital structure.

The general formula for calculating the WACC is:

$$WACC = \frac{E}{E+D}k_e + \frac{D}{E+D}k_d(1-t)$$

Where:

k_d	=	Pre-tax rate of return on debt capital;
k_e	=	Rate of return on equity capital; and
D	=	Debt capital;
E	=	Equity capital;
t	=	Applicable tax rate.

Required Return on Equity

We used the Capital Asset Pricing Model ("CAPM") to estimate the required return on equity. The CAPM is described in the following sections.

Capital Asset Pricing Model

CAPM has been empirically tested and is widely accepted for the purpose of estimating a company's required return on equity capital. In applying the CAPM, the rate of return on equity is estimated as the sum of the current risk-free rate of return, plus a Market Equity Risk Premium expected over the risk-free rate of return, multiplied by the "beta" for the stock, plus a size premium (where applicable). Beta is defined as a risk measure that reflects the sensitivity of a company's stock price to the movements of the stock market as a whole.

The CAPM rate of return on equity capital is calculated using the following formula:

$$k_e = R_f + \beta(R_M - R_f) + SSP$$

Where:

k_e	=	Rate of return on equity capital;
R_f	=	Risk free rate of return;
β	=	Beta or systematic risk for this type of equity investment;
R_M - R_f	=	Market Equity Risk Premium (the expected return on a broad portfolio of stocks in the market (R_M) less the risk free rate (R_f)); and
SSP	=	Small Stock Premium.

Risk-free Rate of Return

For the risk free rate of return, we used a yield on 20-year US government bonds as of the Valuation Date. Research indicates that the low yields observed currently represent an aberration, overly influenced by a "flight to quality." Indications are that these low yields may not be sustainable. As a result, we applied a longer-term normalised yield of 3.0 percent instead of the spot yield. These yields are "risk-free" only in nominal terms (i.e., if they are held to maturity, default risk is assumed to be negligible).

Beta

Beta (β) is a statistical measure of the volatility of the price of a specific stock relative to the movement of a general group. Generally, beta is considered to be indicative of the market's perception of the relative risk of the specific stock. For unlisted firms, practical application of the CAPM is dependent upon the ability to identify publicly traded companies that have similar risk characteristics as the subject company/assets in order to derive meaningful measures of beta.

Market Equity Risk Premium

Due to the increased risk of holding equity securities as compared to holding debt securities, investors demand a risk premium as part of their return on equity capital. This risk premium is defined as the difference between the market return on equity and the risk-free rate of return. Since the expectations of the average investor are not directly observable, the Market Equity Risk Premium must be inferred. Based on a review of historical and forward-looking market risk premium data, we applied a 5.0 percent premium.

Small Stock Premium

The CAPM rate of return is adjusted by a premium that reflects the extra risk of an investment in a small company. This premium is derived from differences in historical returns between small and large company stocks. Using the Duff & Phelps 2019 Valuation Handbook as reference, we consider that the appropriate small stock premium for a company of Ithaca's size is 1.58 percent.

Cost of Debt Capital

The rate of return on debt capital is the rate a prudent debt investor would require on interest-bearing debt. We used a corporate US BB rated bond index rate as of the Valuation Date. This rate was then adjusted to account for the normalised risk free rate, resulting in a yield of 6.7 percent. This yield is an indication of the pretax cost of U.S. based debt capital. Lastly, since the interest on debt capital is deductible for income tax purposes, we used the after-tax interest rate in our calculation.

$$k_d = (k)(1 - t)$$

Where:

k_d	=	After-tax rate of return on debt capital;
k	=	Pre-tax rate of return on debt capital; and
t	=	Applicable tax rate.

Weighted Average Cost of Capital Conclusion

The resulting WACC was calculated as 9.0 percent. We further note that a tax rate of 30.0 percent is applied in our WACC calculations. Whilst the marginal tax rate for North Sea operators is 40.0 percent, the 10.0 percent which constitues the supplementary surcharge is not deductible for finance costs, hence, does not provide a tax-shield for the cash flows.

Based on our analysis as described above, we consider that Management's use of a 9.0 percent discount rate as of the Valuation Date is reasonable. See Exhibit 2.0 for additional details of our WACC calculation.

Section 08

Summary of Values

Summary of Values

Based upon the analysis performed by Management and reviewed by us as described in this report, an allocation of the consideration paid by Ithaca for the Subject Assets is presented in summary form below;

PPA Summary (USD Millions)

Headline Consideration	**1,727**
Working capital	
Cash	9.8
Accounts receivable	76.3
Accounts payable	(132.7)
Materials inventory	47.2
Oil and gas inventory	9.8
Long term receivable - R&D expenditure credit	0.6
Total working capital	10.9
Total PP&E	2,169.2
Total decommissioning liability	(940.7)
Strathspey contingent liability	(12.8)
Receivable for decommissioning reimbursement	199.7
Lease liability - office	(6.4)
Lease liability - Captain standby vessel	(6.7)
Deferred tax asset	376.3
Deferred tax liability	(867.7)
Total Assets Acquired	**921.8**
Goodwill	**805.3**

Management's indication of Goodwill of c. USD 805 million appears reasonable given the details of the Transaction. We note that the Goodwill figure is similar to the amount of USD 867.7 million estimated as the Deferred Tax Liability created, and therefore can be considered to be "technical Goodwill".

Based on our review on Management's procedures and assumptions, we consider that Management's analysis and the results of the PPA exercise appear reasonable.

Limiting Conditions

In the course of our Services, we used financial and other information provided by Management and information available in the public domain. Information relied upon was limited to the information made available, as of the Valuation Date, provided by Management and includes representations made by Management obtained during our interviews. We have not attempted to verify the information received from such sources and, therefore, cannot assume responsibility for its accuracy; however we consider that the information and assumptions as presented to us appear reasonable. Our findings are dependent on such information being complete and accurate in all material respects. However, we have not audited or examined such information and, accordingly, do not express an opinion or any other form of assurance thereon.

Our procedures did not include investigation of, and we assume no responsibility for, the titles to, or any liens against, the assets of the Company. Furthermore, we assume there are no hidden, unapparent, or unexpected conditions that could affect the value of the Subject Assets and accept no responsibility for discovering such conditions. While our work has involved an analysis of financial information and accounting records, our engagement does not include an audit in accordance with generally accepted auditing standards of the Company's existing business records. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided by and on behalf of the Client or the Company.

Budgets, projections, and forecasts relate to future events and are based on assumptions that may not remain valid for the whole of the relevant period. Consequently, this information cannot be relied upon to the same extent as that derived from audited accounts for completed accounting periods. We express no opinion as to how closely the actual results will correspond to those projected or forecast by the Client or the Company.

We reviewed Management's estimates of Fair Value assuming the on-going use of the assets in the existing business. Accordingly, the conclusions reached in this valuation are meaningful only for the specific purpose of this engagement as stated above.

Our analyses are premised on the assumptions described in the attached Report, the terms and conditions agreed with the Client in the Engagement Letter, and the facts and circumstances known as of the Valuation Date.

Any advice given, included in this letter and the accompanying Report, is provided solely for your use and benefit and only in connection with the purpose stated in this letter. We understand that the results of our analysis will be used solely for the purpose of assisting Management in its allocation of the total purchase price among the assets acquired for financial reporting purposes in accordance with IFRS 3. We are aware that you wish to use our opinion for the preparation of the financial statements of Delek Group Ltd and if necessary also to attach it to the financial statements and publish it, and we give our consent.

This letter and accompanying Report are not to be used with, circulated, quoted or otherwise referred to, in whole or in part, for any other purpose other than that described above without our express written consent. Moreover, this letter and accompanying Report are not, and should not be construed as a "fairness opinion" or a "solvency opinion" and may not be relied upon as such.

We draw your attention to the following terms and provisions agreed in our engagement letter dated June 16, 2017:

i) Except in the event of our willful misconduct or fraud, in no event shall we be liable to you (or any person claiming through you) under this Contract, under any legal theory, for any amount in excess of the total professional fees paid by you to us under this Contract or any addendum to which the claim relates. In no event shall we be liable to you under this Contract under any legal theory for any consequential, indirect, lost profit or similar damages relating to or arising from our Services provided under this Contract.

ii) You accept and acknowledge that any legal proceedings arising from or in connection with this Contract (or any variation or addition thereto) must be commenced within one (1) year from the date when you become aware of or ought reasonably to have become aware of the facts, which give rise to our alleged liability. You also agree that no action or claims will be brought against any Duff & Phelps employees personally.

iii) You agree to indemnify and hold harmless Duff & Phelps, its affiliates and their respective employees from and against any and all third party claims, liabilities, losses, costs, demands and reasonable expenses, including but not limited to reasonable legal fees and expenses, internal management time and administrative costs, relating to Services we render under this Contract or otherwise arising under this Contract. The foregoing indemnification obligations shall not apply in the event that a court of competent jurisdiction finally determines that such claims resulted directly from the gross negligence, willful misconduct or fraudulent acts of Duff & Phelps.

iv) You accept and acknowledge that we have not made any warranties or guarantees, whether express or implied, with respect to the Services or the results that you may obtain as a result of the provision of the Services.

v) Except for your payment obligations, neither of us will be liable to the other for any delay or failure to fulfill obligations caused by circumstances outside our reasonable control.

vi) This Contract constitutes the entire agreement between the parties hereto regarding the subject matter hereof and supersedes any prior agreements (whether written or oral) between the parties regarding the subject matter hereof. This Contract may be executed in any number of counterparts each of which shall be an original, but all of which together shall constitute one and the same instrument.

vii) This Contract shall be governed by and interpreted in accordance with the internal laws of England & Wales and the courts of England & Wales shall have exclusive jurisdiction in relation to any claim arising out of this Contract.

The full terms and conditions of our engagement can be found in the engagement letter dated June 16, 2017, available under separate cover to this Report.

In accordance with our agreement, this Report is limited to assist with the Services agreed. This Report does not consider or provide a conclusion with respect to any tax issues. With respect to any significant tax issue, this Report was not written, and cannot be used, by anyone for the purpose of avoiding tax penalties. In addition, one or more additional issues may exist that could affect the tax accounting, for financial reporting purposes, of attributes relied upon in preparing this Report.

Section 9

Duff & Phelps Team Credentials

Duff & Phelps Team Credentials

Mathias Schumacher, Managing Director, Valuation Advisory Services

Mathias Schumacher is the Valuation leader for the U.K. and co-city leader for London. Mathias has more than 20 years of international experience in business valuation, transaction consulting and purchase price allocation.

Prior to joining Duff & Phelps, Mathias was with PricewaterhouseCoopers and Standard & Poor's Corporate Value Consulting. Throughout his career he has developed expertise in advising global clients on cross-border transactions. Mathias Also has in-depth experience in performing impairment tests, valuing intangible assets and performing purchase price allocations across multiple industries.

Mathias also advises many private equity firms, hedge funds, BDC's, sovereign wealth and infrastructure funds on valuation issues. He is responsible for portfolio valuation services across Europe.

Mathias holds a B.B.A. in finance from the Verwaltungs und Wirtschaftsakademie in Germany and a degree from the ParisSorbonne University. He is fluent in German and English and proficient in French and Spanish.

Currently, Mathias serves as an Associate Fellow of Said Business School at Oxford University, where he is a lecturer on the topic of Valuation.

Section 10

Exhibits

Delek Group Ltd.
Ithaca Energy Ltd. PPA Analysis
Valuation Date: November 08, 2019
Index
Currency in USD (Unless otherwise noted)

Exhibit

Appendices - Field-Specific Cash Flows

Delek Group Ltd. **Exhibit 1.0**

Ithaca Energy Ltd. PPA Analysis

Valuation Date: November 08, 2019

Transaction Summary

Currency in USD Millions (Unless otherwise noted)

Fair Value Summary (USD Millions)

Headline Consideration	**(1)**	**1,727**
Working Capital	(2)	
Cash		9.8
Accounts receivable		76.3
Accounts payable		(132.7)
Materials inventory		47.2
Oil and gas inventory		9.8
Long term receivable - R&D expenditure credit		0.6
Total working capital	(2)	10.9
Total PP&E	(3)	2,169.2
Total decommissioning	(4)	(940.7)
Strathspey Contingent Liability		(12.8)
Receivable for decommissioning reimbursement	(5)	199.7
Lease liability - office	(2)	(6.4)
Lease liability - Captain standby vessel	(2)	(6.7)
Deferred Tax Asset	(6)	376.3
Deferred Tax liability	(7)	(867.7)
Total Assets Acquired		**921.8**
Goodwill/(Negative Goodwill)		**805.3**

Notes:

(1) Per completion statement.
(2) Provided by Management.
(3) See Appendices for field-level cash flows.
(4) Estimated by Management. Represents decommissioning associated only with expenditure to-date. Future costs have been discounted at a rate of 4.0%.
(5) Relates to decomissioning costs for fields not owned by CNSL. CNSL will incur these costs but will be reimbursed in full.
(6) Calculated as total decommisioning liabilities multiplied by the tax rate of 40.0%
(7) Calculated as the total value of PP&E multiplied by the tax rate of 40.0%.

Delek Group Ltd. **Exhibit 2.0**

Ithaca Energy Ltd. PPA Analysis

Valuation Date: November 08, 2019

Weighted Average Cost of Capital

Currency in Local Thousands (Unless otherwise noted)

Assumptions and Sources		
Valuation Date	08-Nov-19	
Risk-Free Rate (Rf)	3.0%	D&P Normalised Risk Free Rate
Pretax Required Rate on Debt Capital (i)	6.7%	Normalised USD BB rated bond
Equity Risk Premium (Rp)	5.0%	D&P Normalised EMRP
Small Stock Premium (Ssp) (4)	1.58%	Duff & Phelps 2019 Handbook, Micro Cap
Effective Tax Rate - Target (tt)	30.0%	Target Tax Rate
Beta (Relevered) (β)	1.54	Industry Median
Debt / Capital (D) (6)	40.0%	Industry Characteristics and Expected Leverage
Equity / Capital (E)	60.0%	Industry Characteristics and Expected Leverage
Alpha (α)	0.0%	Company Characteristics

Formulas	
Unlevered Beta =	Beta (Observed) / [1 + D/E (1 - ti)]
Relevered Beta =	Unlevered Beta * [1 + D/E (1 - tt)]
Industry Average D/E =	(Debt/Capital) / (Equity/Capital)

Relevered Beta Analysis	
Beta (Unlevered)	1.05
Industry D/E	66.7%
Effective Tax Rate - Target (tt)	30.0%
Beta (Relevered)	1.54

Comparable Company Analysis

Company	Ticker	S&P Credit Rating	Beta (Predicted) (1)	Book Value of Debt (2)	Share Price	Number of Common Shares Outstanding	Market Value of Equity	Minority Interest (Equity)	Total Capital	Debt/Equity	Debt/Capital	Individual Country Tax Rate (3)	Beta (Unlevered) (5)
Cairn Energy PLC	LSE:CNE	NR	1.73	394	1.79	581	1,036	-	1,430	38.0%	27.5%	30.0%	1.37
Premier Oil plc	LSE:PMO	NR	2.32	3,260	0.87	830	718	-	3,977	454.3%	82.0%	30.0%	0.56
Aker BP ASA	OB:AKERBP	BB+	1.69	3,326	265.40	360	95,436	-	98,762	3.5%	3.4%	78.0%	1.68
Lundin Petroleum AB (publ)	OM:LUPE	NR	1.67	4,031	311.00	284	88,340	-	92,371	4.6%	4.4%	78.0%	1.65
Delek Group Ltd.	TASE:DLEKG	NR	1.27	23,786	496.40	12	5,828	7,323	36,937	180.9%	64.4%	27.9%	0.55
Equinor ASA	OB:EQNR	AA-	1.26	28,776	178.60	3,310	591,079	16	619,871	4.9%	4.6%	78.0%	1.24
	Selected										**40.0%**		**1.05**

Weighted Average Rate of Return - Capital Asset Pricing Model

	Required Return		Weighting	WACC
Debt	4.7%	x	40.0%	1.9%
Equity	12.3%	x	60.0%	7.4%
Weighted Average Cost of Capital				9.3%
Weighted Average Cost of Capital (rounded)				**9.0%**

WACC Sensitivity Table

Beta (Relevered)	1.31	1.41	**1.61**	1.81	2.01
WACC	9.0%	9.0%	**9.0%**	10.0%	11.0%

Notes:

(1) BARRA Betas as at December 2019.
(2) Debt includes short term and long term interest-bearing debt plus capital leases and preferred stock.
(3) Estimated effective tax rate for exploration and production companies.
(4) Small Stock Premium per D&P Valuation Handbook 2019.
(5) Premier Oil, Aker BP ASA and Lundin Petroleum have been given less weighting in our determination of the unlevered beta.
(6) The selected leverage is based on our assumption of a market participant target leverage structure.

Delek Group Ltd. **Exhibit 3.0**

Ithaca Energy Ltd. PPA Analysis

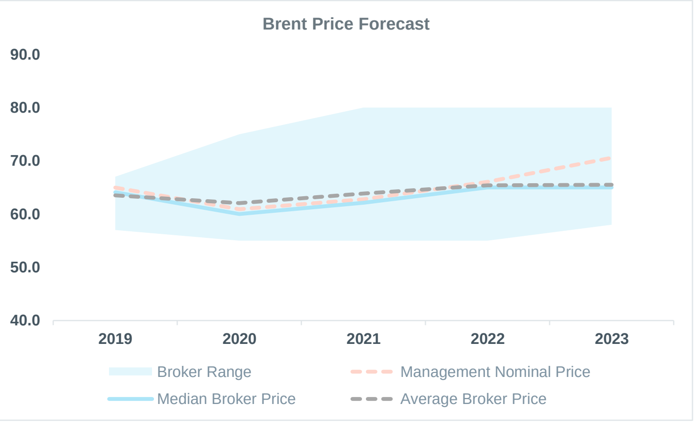
Valuation Date: November 08, 2019

Commodity Price Forecast

Currency in USD per bbl

Transaction Date	**08-Nov-19**

Firm (1)	As of	2019	2020	2021	2022	2023
Capital Economics Ltd	04-Nov-19	63.0	60.0	71.0	n/a	n/a
Citigroup Inc	31-Oct-19	65.0	n/a	n/a	n/a	n/a
Fitch Solutions	25-Oct-19	64.0	62.0	58.0	n/a	n/a
Rabobank International	24-Oct-19	67.0	73.0	72.5	71.6	71.5
Intesa Sanpaolo SpA	21-Oct-19	62.7	64.8	60.0	55.0	58.0
CIBC	18-Oct-19	65.5	65.0	n/a	n/a	n/a
Raymond James Financial Inc	14-Oct-19	63.5	75.0	80.0	80.0	80.0
Bank of Nova Scotia/The	08-Oct-19	65.0	59.0	65.0	65.0	n/a
MUFG Bank	01-Oct-19	65.9	59.4	63.5	65.0	n/a
Market Risk Advisory Co Ltd	01-Oct-19	64.1	61.8	63.5	65.0	66.0
BBVA Research SA	24-Sep-19	64.1	56.9	60.8	60.0	59.7
Westpac Banking Corp	19-Sep-19	57.0	55.0	57.0	67.1	58.3
Commerzbank AG	18-Sep-19	65.0	60.0	n/a	n/a	n/a
Societe Generale SA	17-Sep-19	58.0	59.0	60.0	60.0	65.0
Landesbank Baden-Wuerttemberg	09-Sep-19	63.0	58.0	55.0	n/a	n/a
Max		67.0	75.0	80.0	80.0	80.0
Median		64.1	60.0	62.1	65.0	65.0
Average		63.5	62.1	63.9	65.4	65.5
Min		57.0	55.0	55.0	55.0	58.0
Brent Futures (2)		62.5	59.8	57.6	56.9	57.1
Management Nominal Price (3)		65.0	60.9	62.8	66.1	70.6



Notes:

(1) Source: Bloomberg, Brent Forecasts as at 8/11/2019.
(2) Source: S&P Capital IQ, Brent Futures as at 8/11/2019.
(3) Source: Ithaca Provided Financial Model.

Delek Group Ltd. **Exhibit 4.0**

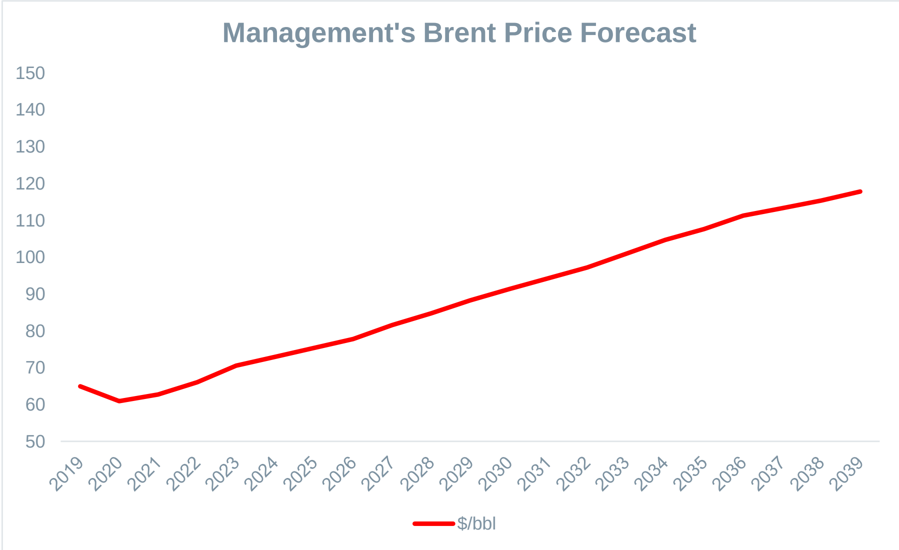
Ithaca Energy Ltd. PPA Analysis

Valuation Date: November 08, 2019

Management Price Forecast

Currency in USD per bbl

Year	$/bbl
2019	65.0
2020	60.9
2021	62.8
2022	66.1
2023	70.6
2024	72.9
2025	75.4
2026	77.8
2027	81.5
2028	84.7
2029	88.3
2030	91.4
2031	94.3
2032	97.2
2033	100.9
2034	104.7
2035	107.6
2036	111.3
2037	113.3
2038	115.4
2039	117.8



Notes:

(1) Source: Management Provided Forecasts.

Delek Group Ltd.

Appendix 5.0

Ithaca Energy Ltd. PPA Analysis

Valuation Date: November 08, 2019

CNSL Field Cash Flows: Captain

Currency in USD Thousands (Unless otherwise noted)

		01/11/2019 31/12/2019	01/01/2020 31/03/2020	01/04/2020 30/06/2020	01/07/2020 30/09/2020	01/10/2020 31/12/2020	01/01/2021 31/12/2021	01/01/2022 31/12/2022	01/01/2023 31/12/2023	01/01/2024 31/12/2024	01/01/2025 31/12/2025	01/01/2026 31/12/2026	01/01/2027 31/12/2027	01/01/2028 31/12/2028	01/01/2029 31/12/2029
Captain	Notes:	**Stub 2019**	**Q1 2020**	**Q2 2020**	**Q3 2020**	**Q4 2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Net Production															
Oil (mbbl)		1,768	2,232	2,232	2,232	2,232	8,897	9,316	9,654	10,460	11,131	12,266	9,081	6,131	4,061
NGL (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		-	14	14	14	14	53	53	54	57	60	64	47	30	18
Total Net Production (mboe)	(1)	1,768	2,246	2,246	2,246	2,246	8,949	9,369	9,708	10,517	11,191	12,330	9,128	6,161	4,079
Net Revenue	(1)	119,990	135,739	135,736	135,733	135,730	557,561	614,574	680,445	762,038	837,991	952,622	739,635	518,943	358,156
Net Opex	(1)	(33,701)	(42,636)	(42,636)	(42,636)	(42,636)	(175,836)	(189,762)	(198,086)	(228,836)	(246,766)	(250,277)	(219,162)	(200,653)	(159,203)
Net Capex	(1)	(10,132)	(19,209)	(19,209)	(19,209)	(19,209)	(153,250)	(147,436)	(224,482)	(89,782)	(117,270)	(73,106)	(90,991)	(23,355)	-
Total Net Field Cash Flows		76,157	73,894	73,891	73,888	73,885	228,475	277,376	257,876	443,419	473,955	629,240	429,482	294,935	198,953
Discount Period		-	0.29	0.54	0.79	1.04	1.67	2.67	3.67	4.66	5.67	6.67	7.67	8.66	9.67
Present Value of Net Field Cash Flows @ 9.0%		76,157	72,068	70,533	69,031	67,545	197,876	220,392	187,981	296,544	290,725	354,108	221,736	139,699	86,435

		01/01/2030 31/12/2030	01/01/2031 31/12/2031	01/01/2032 31/12/2032	01/01/2033 31/12/2033	01/01/2034 31/12/2034	01/01/2035 31/12/2035	01/01/2036 31/12/2036	01/01/2037 31/12/2037	01/01/2038 31/12/2038	01/01/2039 31/12/2039	01/01/2040 31/12/2040	01/01/2041 31/12/2041	01/01/2042 31/12/2042	01/01/2043 31/12/2043
	Notes:	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**
Net Production															
Oil (mbbl)		3,051	2,561	2,135	646	-	-	-	-	-	-	-	-	-	-
NGL (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		13	11	9	3	-	-	-	-	-	-	-	-	-	-
Total Net Production (mboe)	(1)	3,064	2,572	2,144	649	-	-	-	-	-	-	-	-	-	-
Net Revenue	(1)	278,479	241,069	207,303	65,142	-	-	-	-	-	-	-	-	-	-
Net Opex	(1)	(130,637)	(126,006)	(125,766)	(42,378)	-	-	-	-	-	-	-	-	-	-
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		147,842	115,062	81,537	22,764	-	-	-	-	-	-	-	-	-	-
Discount Period		10.67	11.67	12.66	13.67	14.67	15.67	16.66	17.67	18.67	19.67	20.66	21.67	22.67	23.67
Present Value of Net Field Cash Flows @ 9.0%		58,926	42,074	27,354	7,005	-	-	-	-	-	-	-	-	-	-

Pre-Tax Field NPV		2,486,187
Tax Rate:	(2)	40.0%
Post-Tax Field NPV (pre-adjustment)		**1,491,712**
Plus: Value of Captain Standby Vessel		6,698
Post-Tax Field NPV		**1,498,410**

Notes:

(1) Forecasts as per Management

(2) Taxes include a corporate tax of 30.0% and a supplementary tax of 10.0%

(3) This liability is recognised separately on the balance sheet, and is also accounted for in the cash flows above. It is therefore added back to the asset value to avoid double-counting.

Delek Group Ltd.

Appendix 5.1

Ithaca Energy Ltd. PPA Analysis

Valuation Date: November 08, 2019

CNSL Field Cash Flows: Erskine

Currency in USD Thousands (Unless otherwise noted)

		01/11/2019 31/12/2019	01/01/2020 31/03/2020	01/04/2020 30/06/2020	01/07/2020 30/09/2020	01/10/2020 31/12/2020	01/01/2021 31/12/2021	01/01/2022 31/12/2022	01/01/2023 31/12/2023	01/01/2024 31/12/2024	01/01/2025 31/12/2025	01/01/2026 31/12/2026	01/01/2027 31/12/2027	01/01/2028 31/12/2028	01/01/2029 31/12/2029
Erskine	Notes:	**Stub 2019**	**Q1 2020**	**Q2 2020**	**Q3 2020**	**Q4 2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Net Production															
Oil (mbbl)		192	220	220	223	223	975	873	778	650	518	271	-	-	-
NGL (mbbl)		30	34	34	34	34	149	134	120	100	79	40	-	-	-
Gas (mboe)		244	275	275	278	278	1,214	1,094	981	818	642	327	-	-	-
Total Net Production (mboe)	(1)	466	529	529	535	535	2,337	2,102	1,880	1,568	1,240	638	-	-	-
Net Revenue	(1)	20,032	23,250	23,250	23,506	23,507	111,148	104,422	99,423	85,339	69,639	37,037	-	-	-
Net Opex	(1)	(5,248)	(11,007)	(11,007)	(11,007)	(11,007)	(45,699)	(45,861)	(46,059)	(45,701)	(45,128)	(29,308)	-	-	-
Net Capex	(1)	(22)	-	-	-	-	-	(22,486)	-	-	-	-	-	-	-
Total Net Field Cash Flows		14,762	12,243	12,243	12,499	12,500	65,449	36,075	53,364	39,638	24,511	7,729	-	-	-
Discount Period		-	0.29	0.54	0.79	1.04	1.67	2.67	3.67	4.66	5.67	6.67	7.67	8.66	9.67
Present Value of Net Field Cash Flows @ 9.0%		14,762	11,940	11,687	11,678	11,427	56,683	28,664	38,900	26,509	15,035	4,349	-	-	-

		01/01/2030 31/12/2030	01/01/2031 31/12/2031	01/01/2032 31/12/2032	01/01/2033 31/12/2033	01/01/2034 31/12/2034	01/01/2035 31/12/2035	01/01/2036 31/12/2036	01/01/2037 31/12/2037	01/01/2038 31/12/2038	01/01/2039 31/12/2039	01/01/2040 31/12/2040	01/01/2041 31/12/2041	01/01/2042 31/12/2042	01/01/2043 31/12/2043
	Notes:	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**
Net Production															
Oil (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
NGL (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Production (mboe)	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Revenue	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Opex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Discount Period		10.67	11.67	12.66	13.67	14.67	15.67	16.66	17.67	18.67	19.67	20.66	21.67	22.67	23.67
Present Value of Net Field Cash Flows @ 9.0%		-	-	-	-	-	-	-	-	-	-	-	-	-	-

Pre-Tax Field NPV		231,635
Tax Rate:	(2)	40.0%
Post-Tax Field NPV		**138,981**

Notes:

(1) Forecasts as per Management

(2) Taxes include a corporate tax of 30.0% and a supplementary tax of 10.0%

Delek Group Ltd.

Ithaca Energy Ltd. PPA Analysis

Valuation Date: November 08, 2019

CNSL Field Cash Flows: Alba

Currency in USD Thousands (Unless otherwise noted)

		01/11/2019	01/01/2020	01/04/2020	01/07/2020	01/10/2020	01/01/2021	01/01/2022	01/01/2023	01/01/2024	01/01/2025	01/01/2026	01/01/2027	01/01/2028	01/01/2029
		31/12/2019	31/03/2020	30/06/2020	30/09/2020	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025	31/12/2026	31/12/2027	31/12/2028	31/12/2029
Alba	Notes:	**Stub 2019**	**Q1 2020**	**Q2 2020**	**Q3 2020**	**Q4 2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Net Production															
Oil (mbbl)		157	234	234	236	236	862	867	756	796	699	636	594	559	488
NGL (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Production (mboe)	(1)	157	234	234	236	236	862	867	756	796	699	636	594	559	488
Net Revenue	(1)	10,018	13,995	13,994	14,146	14,145	53,188	56,321	52,548	57,169	51,872	48,757	47,743	46,738	42,541
Net Opex	(1)	(5,937)	(7,134)	(7,134)	(7,134)	(7,134)	(29,034)	(29,807)	(30,321)	(31,241)	(31,795)	(32,356)	(32,983)	(33,642)	(34,166)
Net Capex	(1)	(656)	(3,908)	(3,908)	(3,908)	(3,908)	(5,237)	(13,308)	(9,092)	(5,434)	(2,240)	(3,427)	(3,495)	(2,971)	-
Total Net Field Cash Flows		3,424	2,953	2,951	3,104	3,103	18,916	13,206	13,135	20,494	17,837	12,975	11,265	10,125	8,376
Discount Period		-	0.29	0.54	0.79	1.04	1.67	2.67	3.67	4.66	5.67	6.67	7.67	8.66	9.67
Present Value of Net Field Cash Flows @ 9.0%		3,424	2,880	2,817	2,900	2,837	16,383	10,493	9,575	13,706	10,941	7,302	5,816	4,796	3,639

		01/01/2030	01/01/2031	01/01/2032	01/01/2033	01/01/2034	01/01/2035	01/01/2036	01/01/2037	01/01/2038	01/01/2039	01/01/2040	01/01/2041	01/01/2042	01/01/2043
		31/12/2030	31/12/2031	31/12/2032	31/12/2033	31/12/2034	31/12/2035	31/12/2036	31/12/2037	31/12/2038	31/12/2039	31/12/2040	31/12/2041	31/12/2042	31/12/2043
	Notes:	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**
Net Production															
Oil (mbbl)		111	-	-	-	-	-	-	-	-	-	-	-	-	-
NGL (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Production (mboe)	(1)	111	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Revenue	(1)	10,013	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Opex	(1)	(8,682)	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		1,331	-	-	-	-	-	-	-	-	-	-	-	-	-
Discount Period		10.67	11.67	12.66	13.67	14.67	15.67	16.66	17.67	18.67	19.67	20.66	21.67	22.67	23.67
Present Value of Net Field Cash Flows @ 9.0%		530	-	-	-	-	-	-	-	-	-	-	-	-	-

Pre-Tax Field NPV		98,038
Tax Rate:	(2)	40.0%
Post-Tax Field NPV		**58,823**

Notes:

(1) Forecasts as per Management

(2) Taxes include a corporate tax of 30.0% and a supplementary tax of 10.0%

Delek Group Ltd. Appendix 5.3

Ithaca Energy Ltd. PPA Analysis

Valuation Date: November 08, 2019

CNSL Field Cash Flows: Britannia

Currency in USD Thousands (Unless otherwise noted)

Britannia	Notes:	01/11/2019 31/12/2019 **Stub 2019**	01/01/2020 31/03/2020 **Q1 2020**	01/04/2020 30/06/2020 **Q2 2020**	01/07/2020 30/09/2020 **Q3 2020**	01/10/2020 31/12/2020 **Q4 2020**	01/01/2021 31/12/2021 **2021**	01/01/2022 31/12/2022 **2022**	01/01/2023 31/12/2023 **2023**	01/01/2024 31/12/2024 **2024**	01/01/2025 31/12/2025 **2025**	01/01/2026 31/12/2026 **2026**	01/01/2027 31/12/2027 **2027**	01/01/2028 31/12/2028 **2028**	01/01/2029 31/12/2029 **2029**
Net Production															
Oil (mbbl)		68	92	92	92	92	328	294	265	234	212	192	171	152	115
NGL (mbbl)		19	32	32	32	32	116	104	93	83	75	68	60	54	40
Gas (mboe)		407	518	518	518	518	1,848	1,658	1,493	1,319	1,194	1,080	964	857	645
Total Net Production (mboe)	(1)	494	642	642	642	642	2,292	2,057	1,851	1,636	1,481	1,339	1,196	1,063	800
Net Revenue	(1)	17,557	20,901	20,894	20,887	20,880	84,943	79,416	76,247	69,013	64,062	59,390	54,391	49,548	38,212
Net Opex	(1)	(6,450)	(7,892)	(7,892)	(7,892)	(7,892)	(30,875)	(33,471)	(35,674)	(37,074)	(38,825)	(40,260)	(41,285)	(43,671)	(38,067)
Net Capex	(1)	(1,515)	(1,879)	(1,879)	(1,879)	(1,879)	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		9,592	11,130	11,123	11,116	11,109	54,069	45,945	40,573	31,939	25,238	19,130	13,106	5,877	145
Discount Period		-	0.29	0.54	0.79	1.04	1.67	2.67	3.67	4.66	5.67	6.67	7.67	8.66	9.67
Present Value of Net Field Cash Flows @ 9.0%		9,592	10,855	10,618	10,385	10,156	46,827	36,506	29,576	21,360	15,481	10,766	6,767	2,784	63

	Notes:	01/01/2030 31/12/2030 **2030**	01/01/2031 31/12/2031 **2031**	01/01/2032 31/12/2032 **2032**	01/01/2033 31/12/2033 **2033**	01/01/2034 31/12/2034 **2034**	01/01/2035 31/12/2035 **2035**	01/01/2036 31/12/2036 **2036**	01/01/2037 31/12/2037 **2037**	01/01/2038 31/12/2038 **2038**	01/01/2039 31/12/2039 **2039**	01/01/2040 31/12/2040 **2040**	01/01/2041 31/12/2041 **2041**	01/01/2042 31/12/2042 **2042**	01/01/2043 31/12/2043 **2043**
Net Production															
Oil (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
NGL (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Production (mboe)	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Revenue	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Opex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Discount Period		10.67	11.67	12.66	13.67	14.67	15.67	16.66	17.67	18.67	19.67	20.66	21.67	22.67	23.67
Present Value of Net Field Cash Flows @ 9.0%		-	-	-	-	-	-	-	-	-	-	-	-	-	-

Pre-Tax Field NPV		221,735
Tax Rate:	(2)	40.0%
Post-Tax Field NPV		**133,041**

Notes:

(1) Forecasts as per Management

(2) Taxes include a corporate tax of 30.0% and a supplementary tax of 10.0%

Delek Group Ltd.

Appendix 5.4

Ithaca Energy Ltd. PPA Analysis

Valuation Date: November 08, 2019

CNSL Field Cash Flows: Brodgar

Currency in USD Thousands (Unless otherwise noted)

Brodgar	Notes:	01/11/2019 31/12/2019 Stub 2019	01/01/2020 31/03/2020 Q1 2020	01/04/2020 30/06/2020 Q2 2020	01/07/2020 30/09/2020 Q3 2020	01/10/2020 31/12/2020 Q4 2020	01/01/2021 31/12/2021 2021	01/01/2022 31/12/2022 2022	01/01/2023 31/12/2023 2023	01/01/2024 31/12/2024 2024	01/01/2025 31/12/2025 2025	01/01/2026 31/12/2026 2026	01/01/2027 31/12/2027 2027	01/01/2028 31/12/2028 2028	01/01/2029 31/12/2029 2029
Net Production															
Oil (mbbl)		31	45	45	46	46	20	-	-	-	-	-	-	-	-
NGL (mbbl)		11	8	8	8	8	3	-	-	-	-	-	-	-	-
Gas (mboe)		133	141	141	142	142	60	-	-	-	-	-	-	-	-
Total Net Production (mboe)	(1)	175	194	194	196	196	83	-	-	-	-	-	-	-	-
Net Revenue	(1)	5,499	6,633	6,630	6,699	6,695	3,197	-	-	-	-	-	-	-	-
Net Opex	(1)	(1,288)	(800)	(800)	(800)	(800)	(814)	-	-	-	-	-	-	-	-
Net Capex	(1)	(350)	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		3,861	5,833	5,829	5,898	5,895	2,383	-	-	-	-	-	-	-	-
Discount Period		-	0.29	0.54	0.79	1.04	1.67	2.67	3.67	4.66	5.67	6.67	7.67	8.66	9.67
Present Value of Net Field Cash Flows @ 9.0%		3,861	5,689	5,564	5,511	5,389	2,064	-	-	-	-	-	-	-	-

	Notes:	01/01/2030 31/12/2030 2030	01/01/2031 31/12/2031 2031	01/01/2032 31/12/2032 2032	01/01/2033 31/12/2033 2033	01/01/2034 31/12/2034 2034	01/01/2035 31/12/2035 2035	01/01/2036 31/12/2036 2036	01/01/2037 31/12/2037 2037	01/01/2038 31/12/2038 2038	01/01/2039 31/12/2039 2039	01/01/2040 31/12/2040 2040	01/01/2041 31/12/2041 2041	01/01/2042 31/12/2042 2042	01/01/2043 31/12/2043 2043
Net Production															
Oil (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
NGL (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Production (mboe)	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Revenue	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Opex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Discount Period		10.67	11.67	12.66	13.67	14.67	15.67	16.66	17.67	18.67	19.67	20.66	21.67	22.67	23.67
Present Value of Net Field Cash Flows @ 9.0%		-	-	-	-	-	-	-	-	-	-	-	-	-	-

Pre-Tax Field NPV		28,077
Tax Rate:	(2)	40.0%
Post-Tax Field NPV		**16,846**

Notes:

(1) Forecasts as per Management

(2) Taxes include a corporate tax of 30.0% and a supplementary tax of 10.0%

Delek Group Ltd.
Ithaca Energy Ltd. PPA Analysis
Valuation Date: November 08, 2019

CNSL Field Cash Flows: Jade

Currency in USD Thousands (Unless otherwise noted)

Jade	Notes:	01/11/2019 31/12/2019 **Stub 2019**	01/01/2020 31/03/2020 **Q1 2020**	01/04/2020 30/06/2020 **Q2 2020**	01/07/2020 30/09/2020 **Q3 2020**	01/10/2020 31/12/2020 **Q4 2020**	01/01/2021 31/12/2021 **2021**	01/01/2022 31/12/2022 **2022**	01/01/2023 31/12/2023 **2023**	01/01/2024 31/12/2024 **2024**	01/01/2025 31/12/2025 **2025**	01/01/2026 31/12/2026 **2026**	01/01/2027 31/12/2027 **2027**	01/01/2028 31/12/2028 **2028**	01/01/2029 31/12/2029 **2029**
Net Production															
Oil (mbbl)		30	34	34	34	34	113	155	174	148	125	104	89	76	65
NGL (mbbl)		16	26	26	26	26	90	89	86	74	65	53	46	41	36
Gas (mboe)		97	113	113	113	113	381	378	366	316	275	226	196	173	153
Total Net Production (mboe)	(1)	143	173	173	173	173	583	622	626	538	465	383	331	289	253
Net Revenue	(1)	5,075	5,790	5,788	5,785	5,783	21,588	25,297	27,886	24,555	21,727	18,450	16,438	14,681	13,213
Net Opex	(1)	(3,305)	(2,600)	(2,600)	(2,600)	(2,600)	(10,157)	(10,319)	(10,496)	(10,385)	(10,318)	(9,979)	(9,942)	(9,881)	(9,903)
Net Capex	(1)	(164)	-	-	-	-	(24,392)	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		1,605	3,190	3,188	3,186	3,183	(12,962)	14,977	17,391	14,170	11,409	8,470	6,496	4,800	3,310
Discount Period		-	0.29	0.54	0.79	1.04	1.67	2.67	3.67	4.66	5.67	6.67	7.67	8.66	9.67
Present Value of Net Field Cash Flows @ 9.0%		1,605	3,112	3,043	2,976	2,910	(11,226)	11,901	12,677	9,476	6,998	4,767	3,354	2,274	1,438

	Notes:	01/01/2030 31/12/2030 **2030**	01/01/2031 31/12/2031 **2031**	01/01/2032 31/12/2032 **2032**	01/01/2033 31/12/2033 **2033**	01/01/2034 31/12/2034 **2034**	01/01/2035 31/12/2035 **2035**	01/01/2036 31/12/2036 **2036**	01/01/2037 31/12/2037 **2037**	01/01/2038 31/12/2038 **2038**	01/01/2039 31/12/2039 **2039**	01/01/2040 31/12/2040 **2040**	01/01/2041 31/12/2041 **2041**	01/01/2042 31/12/2042 **2042**	01/01/2043 31/12/2043 **2043**
Net Production															
Oil (mbbl)		56	49	-	-	-	`	-	-	-	-	-	-	-	-
NGL (mbbl)		32	28	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		135	120	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Production (mboe)	(1)	223	197	-	-	-	-	-	-	-	-	-	-	-	-
Net Revenue	(1)	11,923	10,765	-	-	-	-	-	-	-	-	-	-	-	-
Net Opex	(1)	(9,975)	(10,063)	-	-	-	-	-	-	-	-	-	-	-	-
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		1,948	703	-	-	-	-	-	-	-	-	-	-	-	-
Discount Period		10.67	11.67	12.66	13.67	14.67	15.67	16.66	17.67	18.67	19.67	20.66	21.67	22.67	23.67
Present Value of Net Field Cash Flows @ 9.0%		777	257	-	-	-	-	-	-	-	-	-	-	-	-

Pre-Tax Field NPV		56,338
Tax Rate:	(2)	40.0%
Post-Tax Field NPV		**33,803**

Notes:

(1) Forecasts as per Management

(2) Taxes include a corporate tax of 30.0% and a supplementary tax of 10.0%

Delek Group Ltd.

Appendix 5.6

Ithaca Energy Ltd. PPA Analysis

Valuation Date: November 08, 2019

CNSL Field Cash Flows: Callanish

Currency in USD Thousands (Unless otherwise noted)

		01/11/2019 31/12/2019	01/01/2020 31/03/2020	01/04/2020 30/06/2020	01/07/2020 30/09/2020	01/10/2020 31/12/2020	01/01/2021 31/12/2021	01/01/2022 31/12/2022	01/01/2023 31/12/2023	01/01/2024 31/12/2024	01/01/2025 31/12/2025	01/01/2026 31/12/2026	01/01/2027 31/12/2027	01/01/2028 31/12/2028	01/01/2029 31/12/2029
Callanish	Notes:	**Stub 2019**	**Q1 2020**	**Q2 2020**	**Q3 2020**	**Q4 2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Net Production															
Oil (mbbl)		37	62	62	62	62	354	273	261	204	159	126	102	83	58
NGL (mbbl)		3	6	6	6	6	44	33	29	22	16	13	10	8	5
Gas (mboe)		5	10	10	10	10	72	53	46	35	27	20	16	13	9
Total Net Production (mboe)	(1)	46	78	78	78	78	470	359	336	261	202	159	128	104	72
Net Revenue	(1)	2,879	4,252	4,252	4,252	4,252	26,025	21,028	21,192	17,045	13,682	11,162	9,380	7,924	5,748
Net Opex	(1)	(372)	(702)	(702)	(702)	(702)	(3,901)	(3,654)	(3,636)	(3,417)	(3,246)	(3,113)	(3,027)	(3,069)	(2,582)
Net Capex	(1)	(486)	(4,773)	(4,773)	(4,773)	(4,773)	-	(6,249)	-	-	-	-	-	-	-
Total Net Field Cash Flows		2,021	(1,223)	(1,223)	(1,223)	(1,223)	22,124	11,126	17,556	13,628	10,436	8,049	6,352	4,855	3,166
Discount Period		-	0.29	0.54	0.79	1.04	1.67	2.67	3.67	4.66	5.67	6.67	7.67	8.66	9.67
Present Value of Net Field Cash Flows @ 9.0%		2,021	(1,193)	(1,167)	(1,142)	(1,118)	19,161	8,840	12,797	9,114	6,402	4,530	3,280	2,300	1,375

		01/01/2030 31/12/2030	01/01/2031 31/12/2031	01/01/2032 31/12/2032	01/01/2033 31/12/2033	01/01/2034 31/12/2034	01/01/2035 31/12/2035	01/01/2036 31/12/2036	01/01/2037 31/12/2037	01/01/2038 31/12/2038	01/01/2039 31/12/2039	01/01/2040 31/12/2040	01/01/2041 31/12/2041	01/01/2042 31/12/2042	01/01/2043 31/12/2043
	Notes:	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**
Net Production															
Oil (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
NGL (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Production (mboe)	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Revenue	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Opex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Discount Period		10.67	11.67	12.66	13.67	14.67	15.67	16.66	17.67	18.67	19.67	20.66	21.67	22.67	23.67
Present Value of Net Field Cash Flows @ 9.0%		-	-	-	-	-	-	-	-	-	-	-	-	-	-

Pre-Tax Field NPV		65,200
Tax Rate:	(2)	40.0%
Post-Tax Field NPV		**39,120**

Notes:

(1) Forecasts as per Management

(2) Taxes include a corporate tax of 30.0% and a supplementary tax of 10.0%

Delek Group Ltd. Appendix 5.7

Ithaca Energy Ltd. PPA Analysis

Valuation Date: November 08, 2019

CNSL Field Cash Flows: Elgin Franklin & W Franklin

Currency in USD Thousands (Unless otherwise noted)

Elgin Franklin & W Franklin	Notes:	01/11/2019 31/12/2019 **Stub 2019**	01/01/2020 31/03/2020 **Q1 2020**	01/04/2020 30/06/2020 **Q2 2020**	01/07/2020 30/09/2020 **Q3 2020**	01/10/2020 31/12/2020 **Q4 2020**	01/01/2021 31/12/2021 **2021**	01/01/2022 31/12/2022 **2022**	01/01/2023 31/12/2023 **2023**	01/01/2024 31/12/2024 **2024**	01/01/2025 31/12/2025 **2025**	01/01/2026 31/12/2026 **2026**	01/01/2027 31/12/2027 **2027**	01/01/2028 31/12/2028 **2028**	01/01/2029 31/12/2029 **2029**
Net Production															
Oil (mbbl)		87	125	125	126	126	470	386	326	283	246	228	201	171	146
NGL (mbbl)		-	37	37	37	37	139	115	97	86	77	73	64	54	46
Gas (mboe)		154	228	228	230	230	865	715	603	538	482	452	397	336	286
Total Net Production (mboe)	(1)	240	389	389	393	393	1,474	1,216	1,026	908	805	753	662	560	479
Net Revenue	(1)	10,677	14,660	14,654	14,810	14,804	60,827	52,483	47,329	42,877	38,936	37,326	33,996	29,690	26,179
Net Opex	(1)	(1,810)	(2,377)	(2,377)	(2,377)	(2,377)	(9,488)	(8,928)	(8,592)	(8,452)	(8,348)	(8,335)	(8,200)	(7,970)	(7,791)
Net Capex	(1)	(1,293)	(1,582)	(1,582)	(1,582)	(1,582)	(6,542)	(1,687)	-	(4,698)	(571)	-	-	-	-
Total Net Field Cash Flows		7,574	10,701	10,696	10,851	10,846	44,797	41,867	38,737	29,728	30,017	28,991	25,796	21,720	18,388
Discount Period		-	0.29	0.54	0.79	1.04	1.67	2.67	3.67	4.66	5.67	6.67	7.67	8.66	9.67
Present Value of Net Field Cash Flows @ 9.0%		7,574	10,437	10,210	10,138	9,915	38,797	33,266	28,238	19,881	18,413	16,315	13,318	10,288	7,989

	Notes:	01/01/2030 31/12/2030 **2030**	01/01/2031 31/12/2031 **2031**	01/01/2032 31/12/2032 **2032**	01/01/2033 31/12/2033 **2033**	01/01/2034 31/12/2034 **2034**	01/01/2035 31/12/2035 **2035**	01/01/2036 31/12/2036 **2036**	01/01/2037 31/12/2037 **2037**	01/01/2038 31/12/2038 **2038**	01/01/2039 31/12/2039 **2039**	01/01/2040 31/12/2040 **2040**	01/01/2041 31/12/2041 **2041**	01/01/2042 31/12/2042 **2042**	01/01/2043 31/12/2043 **2043**
Net Production															
Oil (mbbl)		122	107	91	77	59	47	44	41	39	35	-	-	-	-
NGL (mbbl)		37	32	28	24	19	15	14	13	12	11	-	-	-	-
Gas (mboe)		233	200	172	148	116	91	86	80	75	68	-	-	-	-
Total Net Production (mboe)	(1)	392	339	290	249	193	153	143	134	126	115	-	-	-	-
Net Revenue	(1)	22,153	19,703	17,316	15,224	12,171	9,848	9,492	9,070	8,674	8,081	-	-	-	-
Net Opex	(1)	(7,547)	(7,465)	(7,387)	(7,357)	(7,205)	(7,117)	(7,223)	(7,334)	(7,449)	(7,534)	-	-	-	-
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		14,606	12,238	9,929	7,867	4,966	2,731	2,269	1,736	1,225	547	-	-	-	-
Discount Period		10.67	11.67	12.66	13.67	14.67	15.67	16.66	17.67	18.67	19.67	20.66	21.67	22.67	23.67
Present Value of Net Field Cash Flows @ 9.0%		5,822	4,475	3,331	2,421	1,402	707	539	378	245	100	-	-	-	-

Pre-Tax Field NPV		254,197
Tax Rate:	(2)	40.0%
Post-Tax Field NPV		**152,518**

Notes:

(1) Forecasts as per Management

(2) Taxes include a corporate tax of 30.0% and a supplementary tax of 10.0%

Delek Group Ltd.

Appendix 5.8

Ithaca Energy Ltd. PPA Analysis

Valuation Date: November 08, 2019

CNSL Field Cash Flows: Alder

Currency in USD Thousands (Unless otherwise noted)

Alder	Notes:	01/11/2019 31/12/2019 **Stub 2019**	01/01/2020 31/03/2020 **Q1 2020**	01/04/2020 30/06/2020 **Q2 2020**	01/07/2020 30/09/2020 **Q3 2020**	01/10/2020 31/12/2020 **Q4 2020**	01/01/2021 31/12/2021 **2021**	01/01/2022 31/12/2022 **2022**	01/01/2023 31/12/2023 **2023**	01/01/2024 31/12/2024 **2024**	01/01/2025 31/12/2025 **2025**	01/01/2026 31/12/2026 **2026**	01/01/2027 31/12/2027 **2027**	01/01/2028 31/12/2028 **2028**	01/01/2029 31/12/2029 **2029**
Net Production															
Oil (mbbl)		62	86	86	87	87	256	196	153	122	99	81	68	15	-
NGL (mbbl)		22	32	32	32	32	95	73	57	45	37	30	25	6	-
Gas (mboe)		216	284	284	287	287	847	647	505	403	326	269	224	50	-
Total Net Production (mboe)	(1)	300	401	401	406	406	1,198	915	715	570	462	380	316	71	-
Net Revenue	(1)	10,464	13,469	13,462	13,602	13,595	45,118	36,012	30,092	24,645	20,498	17,303	14,851	3,418	-
Net Opex	(1)	(1,392)	(4,806)	(4,806)	(4,806)	(4,806)	(16,498)	(15,408)	(14,626)	(14,111)	(13,722)	(13,443)	(13,295)	(3,351)	-
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		9,072	8,663	8,656	8,796	8,788	28,620	20,605	15,467	10,534	6,776	3,860	1,556	67	-
Discount Period		-	0.29	0.54	0.79	1.04	1.67	2.67	3.67	4.66	5.67	6.67	7.67	8.66	9.67
Present Value of Net Field Cash Flows @ 9.0%		9,072	8,449	8,262	8,218	8,034	24,787	16,372	11,274	7,045	4,156	2,172	803	32	-

	Notes:	01/01/2030 31/12/2030 **2030**	01/01/2031 31/12/2031 **2031**	01/01/2032 31/12/2032 **2032**	01/01/2033 31/12/2033 **2033**	01/01/2034 31/12/2034 **2034**	01/01/2035 31/12/2035 **2035**	01/01/2036 31/12/2036 **2036**	01/01/2037 31/12/2037 **2037**	01/01/2038 31/12/2038 **2038**	01/01/2039 31/12/2039 **2039**	01/01/2040 31/12/2040 **2040**	01/01/2041 31/12/2041 **2041**	01/01/2042 31/12/2042 **2042**	01/01/2043 31/12/2043 **2043**
Net Production															
Oil (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
NGL (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Production (mboe)	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Revenue	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Opex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Discount Period		10.67	11.67	12.66	13.67	14.67	15.67	16.66	17.67	18.67	19.67	20.66	21.67	22.67	23.67
Present Value of Net Field Cash Flows @ 9.0%		-	-	-	-	-	-	-	-	-	-	-	-	-	-

Pre-Tax Field NPV		108,677
Tax Rate:	(2)	40.0%
Post-Tax Field NPV		**65,206**

Notes:

(1) Forecasts as per Management

(2) Taxes include a corporate tax of 30.0% and a supplementary tax of 10.0%

Delek Group Ltd.

Ithaca Energy Ltd. PPA Analysis

Valuation Date: November 08, 2019

CNSL Field Cash Flows: Enochdhu

Currency in USD Thousands (Unless otherwise noted)

		01/11/2019	01/01/2020	01/04/2020	01/07/2020	01/10/2020	01/01/2021	01/01/2022	01/01/2023	01/01/2024	01/01/2025	01/01/2026	01/01/2027	01/01/2028	01/01/2029
		31/12/2019	31/03/2020	30/06/2020	30/09/2020	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025	31/12/2026	31/12/2027	31/12/2028	31/12/2029
Enochdhu	Notes:	**Stub 2019**	**Q1 2020**	**Q2 2020**	**Q3 2020**	**Q4 2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Net Production															
Oil (mbbl)		60	72	72	72	72	216	167	133	109	91	77	66	25	-
NGL (mbbl)		8	7	7	7	7	20	16	12	10	8	7	6	2	-
Gas (mboe)		9	9	9	9	9	28	21	17	14	12	10	8	3	-
Total Net Production (mboe)	(1)	77	88	88	88	88	264	204	163	133	111	93	80	30	-
Net Revenue	(1)	4,289	4,674	4,673	4,672	4,672	14,490	11,813	10,074	8,496	7,294	6,359	5,703	2,225	-
Net Opex	(1)	(842)	(1,477)	(1,477)	(1,477)	(1,477)	(5,348)	(5,168)	(5,060)	(5,014)	(4,994)	(4,999)	(5,035)	(2,136)	-
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		3,446	3,196	3,196	3,195	3,194	9,142	6,646	5,014	3,482	2,300	1,359	668	88	-
Discount Period		-	0.29	0.54	0.79	1.04	1.67	2.67	3.67	4.66	5.67	6.67	7.67	8.66	9.67
Present Value of Net Field Cash Flows @ 9.0%		3,446	3,117	3,050	2,985	2,920	7,918	5,281	3,655	2,329	1,411	765	345	42	-

		01/01/2030	01/01/2031	01/01/2032	01/01/2033	01/01/2034	01/01/2035	01/01/2036	01/01/2037	01/01/2038	01/01/2039	01/01/2040	01/01/2041	01/01/2042	01/01/2043
		31/12/2030	31/12/2031	31/12/2032	31/12/2033	31/12/2034	31/12/2035	31/12/2036	31/12/2037	31/12/2038	31/12/2039	31/12/2040	31/12/2041	31/12/2042	31/12/2043
	Notes:	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**	**2037**	**2038**	**2039**	**2040**	**2041**	**2042**	**2043**
Net Production															
Oil (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
NGL (mbbl)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas (mboe)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Production (mboe)	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Revenue	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Opex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Capex	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Net Field Cash Flows		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Discount Period		10.67	11.67	12.66	13.67	14.67	15.67	16.66	17.67	18.67	19.67	20.66	21.67	22.67	23.67
Present Value of Net Field Cash Flows @ 9.0%		-	-	-	-	-	-	-	-	-	-	-	-	-	-

Pre-Tax Field NPV		37,264
Tax Rate:	(2)	40.0%
Post-Tax Field NPV		**22,358**

Notes:

(1) Forecasts as per Management

(2) Taxes include a corporate tax of 30.0% and a supplementary tax of 10.0%

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Chapter

C

Financial Statements

Delek Group Ltd.

Consolidated Interim Financial Statements as at September 30, 2020

Unaudited

Contents

Consolidated Balance Sheets

	September 30		December 31
	2020	**2019**	**2019**
	Unaudited		**Audited**
		NIS millions	
<u>Current assets</u>			
Cash and cash equivalents	778	978	1,517
Short-term investments	540	493	786
Trade receivables	956	1,705	1,894
Other receivables	291	429	514
Current tax assets	21	27	83
Financial derivatives	337	250	213
Inventory	296	258	477
	3,219	4,140	5,484
Assets held for sale	3,670	103,916	-
	6,889	108,056	5,484
<u>Non-current assets</u>			
Long-term loans, deposits, and receivables	3,028	3,574	3,667
Other financial assets	135	444	675
Investments in associates	292	554	492
Investment property	322	388	432
Right-of-use assets	29	993	910
Financial derivatives	95	220	182
Investments in exploration and production of oil and gas assets, net	23,660	21,121	27,687
Fixed assets, net	115	2,090	2,129
Goodwill	3,109	1,400	4,174
Other intangible assets, net	-	6	7
Deferred taxes	1,752	2,217	1,124
	32,537	33,007	41,479
	39,426	141,063	46,963

The accompanying notes are an integral part of the consolidated interim financial statements.

Consolidated Balance Sheets

	September 30		December 31
	2020	2019	2019
	Unaudited		Audited
	NIS millions		
Current liabilities			
Borrowings and current maturities from banks and others	6,894	2,741	5,006
Trade payables	721	926	1,246
Other payables	765	1,389	1,439
Current maturities of lease liabilities	23	129	147
Current tax liabilities	321	27	497
Financial derivatives	97	35	202
	8,821	5,247	8,537
Liabilities attributable to assets held for sale	2,951	98,598	-
	11,772	103,845	8,537
Non-current liabilities			
Loans from banks and others	2,538	10,187	12,091
Debentures	12,861	9,733	9,821
Convertible debentures and liabilities	170	693	865
Liabilities for employee benefits	-	11	11
Lease liability	7	874	771
Financial derivatives	70	-	35
Provisions and other liabilities	5,032	2,064	5,333
Deferred taxes	1,615	1,929	1,922
	22,293	25,491	30,849
Capital			
Share capital	16	13	13
Share premium	2,181	1,919	1,919
Proceeds for conversion options	18	18	18
Options	42	-	-
Retained earnings	463	3,693	3,382
Foreign currency translation differences for foreign operations	(546)	(580)	(653)
Capital reserve from transactions with non-controlling interests	(672)	(334)	(289)
Other reserves	300	257	(3)
Treasury shares	(314)	(240)	(254)
Total equity attributable to shareholders of the Company	1,488	4,746	4,133
Non-controlling interests	3,873	6,981	3,444
Total capital	5,361	11,727	7,577
	39,426	141,063	46,963

November 25, 2020			
Approval date of the financial statements	Gabriel Last Chairman of the Board of Directors	Idan Wallace CEO	Tamir Polikar Executive VP and CFO

The accompanying notes are an integral part of the consolidated interim financial statements.

Consolidated Statements of Income

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2020	2019 *)	2020	2019 *)	2019 *)
	Unaudited				Audited
	NIS millions (Other net earnings (loss) per share)				
Revenue	5,037	1,946	1,705	566	3,356
Cost of revenues	2,729	1,056	883	300	1,901
Gross profit	2,308	890	822	266	1,455
General and administrative expenses	184	91	57	23	121
Group share in losses of operational associates, net	6	6	7	6	42
Other revenues (expenses), net	(3,752)	6	(16)	-	(865)
Operating profit (loss)	(1,634)	799	742	237	427
Financing income	112	433	23	155	671
Financing expenses	(1,766)	(738)	(508)	(289)	(1,342)
	(3,288)	494	257	103	(244)
Group share in profits (losses) of associates, net	3	5	-	(9)	19
Profit (loss) before taxes on income	(3,285)	499	257	94	(225)
Taxes on income (tax benefit)	(926)	74	29	2	(417)
Profit (loss) from continuing operations	(2,359)	425	228	92	192
Profit (loss) from discontinued operations, net	(333)	559	68	49	594
Net profit (loss)	(2,692)	984	296	141	786
Attributable to:					
Shareholders of the Company	(2,943)	545	149	65	234
Non-controlling interests	251	439	147	76	552
	(2,692)	984	296	141	786
Net earnings (loss) per share attributable to shareholders of the Company (NIS)					
Basic earnings (loss) from continuing operations	(207.6)	19.0	5.7	0.8	(10.8)
Basic earnings (loss) from discontinued operations	(26.5)	27.7	4.8	4.8	30.9
Basic earnings (loss)	(234.1)	46.7	10.5	5.6	20.1
Diluted earnings (loss) from continuing operations	(207.6)	19.0	5.7	0.8	(10.8)
Diluted earnings (loss) from discontinued operations	(26.5)	27.7	4.8	4.8	30.9
Diluted earnings (loss)	(234.1)	46.7	10.5	5.6	20.1

*) Restated, see Note 2D

The accompanying notes are an integral part of the consolidated interim financial statements.

Consolidated Statements of Comprehensive Income

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2020	**2019 *)**	**2020**	**2019 *)**	**2019 *)**
	Unaudited				**Audited**
	NIS millions				
Net profit (loss)	(2,692)	984	296	141	786
Other comprehensive income (loss) (net of tax effect):					
Amounts not reclassified to profit or loss:					
Profit (loss) from an investment in equity instruments measured at fair value through other comprehensive income	(132)	(149)	7	(49)	(167)
Total	(132)	(149)	7	(49)	(167)
Amounts classified or reclassified to profit or loss under specific conditions:					
Profit for financial assets at fair value through other comprehensive income	1	-	-	-	-
Profit (loss) for cash flow hedges, net	892	211	(93)	123	92
Transfer to profit or loss for cash flow hedges	(498)	(69)	(119)	(17)	(101)
Foreign currency translation differences for foreign operations	105	(863)	(64)	(272)	(969)
Transfer to profit or loss for foreign currency translation differences for foreign operations	28	14	-	-	14
Other comprehensive income (loss) attributable to associates, net	(2)	1	-	1	(4)
Total	526	(706)	(276)	(165)	(968)
Total other comprehensive income (loss) from continuing operations	394	(855)	(269)	(214)	(1,135)
Total other comprehensive income from discontinued operations, net	-	229	-	90	149
Total other comprehensive income (loss)	394	(626)	(269)	(124)	(986)
Total comprehensive income (loss)	(2,298)	358	27	17	(200)
Attributable to:					
Shareholders of the Company	(2,554)	143	(112)	(18)	(501)
Non-controlling interests	256	215	139	35	301
	(2,298)	358	27	17	(200)

*) Restated, see Note 2D

The accompanying notes are an integral part of the consolidated interim financial statements.

Consolidated Statements of Changes in Equity

	Attributable to shareholders of the Company											
	Share capital	Share premium	Proceeds for conversion options	Options	Retained earnings	Foreign currency translation differences for foreign operations	Reserve for transactions with non-controlling interests	Other reserves *)	Treasury shares	Total	Non-controlling interests	Total capital
	Unaudited											
	NIS millions											
Balance as at January 1, 2020 (audited)	13	1,919	18	-	3,382	(653)	(289)	(3)	(254)	4,133	3,444	7,577
Net profit (loss)	-	-	-	-	(2,943)	-	-	-	-	(2,943)	251	(2,692)
Other comprehensive income	-	-	-	-	-	77	-	312	-	389	5	394
Total comprehensive income (loss)	-	-	-	-	(2,943)	77	-	312	-	(2,554)	256	(2,298)
Issue of shares and options	3	262	-	42	-	-	-	-	-	307	-	307
Acquisition of treasury shares	-	-	-	-	-	-	-	-	(60)	(60)	-	(60)
Disposal of revaluation fund due to disposal of an asset	-	-	-	-	24	-	-	(24)	-	-	-	-
Acquisition of shares from non-controlling interests	-	-	-	-	-	-	(2)	-	-	(2)	(5)	(7)
Deconsolidation	-	-	-	-	-	-	-	-	-	-	(221)	(221)
Sale of shares to non-controlling interests	-	-	-	-	-	30	(381)	15	-	(336)	407	71
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(8)	(8)
Balance as at September 30, 2020	16	2,181	18	42	463	(546)	(672)	300	(314)	1,488	3,873	5,361

*) As at September 30, 2020, mainly capital reserve for cash flow hedges

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

Net profit attributable to non-controlling interests	251
Loss for financial assets measured at fair value through other comprehensive income, net	(47)
Loss from cash flow hedges	6
Foreign currency translation differences for foreign operations	46
Total comprehensive income attributable to non-controlling interests	256

The accompanying notes are an integral part of the consolidated interim financial statements.

Consolidated Statements of Changes in Equity

	Attributable to shareholders of the Company										
	Share capital	Share premium	Proceeds for conversion options	Retained earnings	Foreign currency translation differences for foreign operations	Reserve for transactions with non-controlling interests	Other reserves *)	Treasury shares	Total	Non-controlling interests	Total capital
	Unaudited										
	NIS millions										
Balance as January 1, 2019	13	1,910	27	3,403	(20)	(324)	99	(143)	4,965	7,305	12,270
Cumulative effect of initial adoption of IFRS 16 as at January 1, 2019	-	-	-	(1)	-	-	-	-	(1)	-	(1)
Balance as at January 1, 2019	-	-	-	3,402	(20)	(324)	99	(143)	4,964	7,305	12,269
Net profit	-	-	-	545	-	-	-	-	545	439	984
Other comprehensive income (loss)	-	-	-	-	(560)	-	158	-	(402)	(224)	(626)
Total comprehensive income (loss)	-	-	-	545	(560)	-	158	-	143	215 **)	358
Acquisition of treasury shares	-	-	-	-	-	-	-	(97)	(97)	-	(97)
Deconsolidation	-	-	-	-	-	-	-	-	-	(1)	(1)
Expiry of conversion option	-	9	(9)	-	-	-	-	-	-	-	-
Transactions with non-controlling interests	-	-	-	-	-	(10)	-	-	(10)	(1)	(11)
Dividends	-	-	-	(254)	-	-	-	-	(254)	-	(254)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(537)	(537)
Balance as at September 30, 2019	13	1,919	18	3,693	(580)	(334)	257	(240)	4,746	6,981	11,727

*) As at September 30, 2019, including a credit balance of NIS 93 million for investments held for sale.

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

Net profit attributable to non-controlling interests	439
Profit for financial assets at fair value through other comprehensive income, net	79
Loss from cash flow hedges	(8)
Foreign currency translation differences for foreign operations	(295)
Total comprehensive income attributable to non-controlling interests	215

The accompanying notes are an integral part of the consolidated interim financial statements.

Consolidated Statements of Changes in Equity

	Attributable to shareholders of the Company											
	Share capital	Share premium	Proceeds for conversion options	Options	Retained earnings	Foreign currency translation differences for foreign operations	Reserve for transactions with non-controlling interests	Other reserves *)	Treasury shares	Total	Non-controlling interests	Total capital
	Unaudited											
	NIS millions											
Balance as of July 1, 2020	14	2,041	18	12	314	(506)	(672)	521	(314)	1,428	3,734	5,162
Net profit	-	-	-	-	149	-	-	-	-	149	147	296
Other comprehensive loss	-	-	-	-	-	(40)	-	(221)	-	(261)	(8)	(269)
Total comprehensive income (loss)	-	-	-	-	149	(40)	-	(221)	-	(112)	139	27
Issue of shares and options	2	140	30	-	-	-	-	-	-	172	-	172
Balance as at September 30, 2020	16	2,181	18	42	463	(546)	(672)	300	(314)	1,488	3,873	5,361

*) Mainly capital reserve for cash flow hedges

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

Net profit attributable to non-controlling interests	147
Profit for financial assets at fair value through other comprehensive income, net	3
Profit for cash flow hedges	11
Foreign currency translation differences for foreign operations	(22)
Total comprehensive income attributable to non-controlling interests	139

The accompanying notes are an integral part of the consolidated interim financial statements.

Consolidated Statements of Changes in Equity

	Attributable to shareholders of the Company										
	Share capital	Share premium	Proceeds for conversion options	Retained earnings	Foreign currency translation differences for foreign operations	Reserve for transactions with non-controlling interests	Other reserves *)	Treasury shares	Total	Non-controlling interests	Total capital
	Unaudited										
	NIS millions										
Balance as at July 1, 2019	13	1,910	27	3,628	(388)	(336)	148	(150)	4,852	7,323	12,175
Net profit	-	-	-	65	-	-	-	-	65	76	141
Other comprehensive income (loss)	-	-	-	-	(192)	-	109	-	(83)	(41)	(124)
Total comprehensive income (loss)	-	-	-	65	(192)	-	109	-	(18)	35 **)	17
Acquisition of treasury shares	-	-	-	-	-	-	-	(90)	(90)	-	(90)
Expiry of conversion option	-	9	(9)	-	-	-	-	-	-	-	-
Transactions with non-controlling interests	-	-	-	-	-	2	-	-	2	(5)	(3)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(372)	(372)
Balance as at September 30, 2019	13	1,919	18	3,693	(580)	(334)	257	(240)	4,746	6,981	11,727

*) As at September 30, 2019, including a credit balance of NIS 93 million for investments held for sale.

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

Net profit attributable to non-controlling interests	76
Profit for financial assets at fair value through other comprehensive	40
Profit for cash flow hedges	2
Foreign currency translation differences for foreign operations	(83)
Total comprehensive income attributable to non-controlling interests	35

The accompanying notes are an integral part of the consolidated interim financial statements.

Consolidated Statements of Changes in Equity

	Attributable to shareholders of the Company										
	Share capital	Share premium	Proceeds for conversion options	Retained earnings	Foreign currency translation differences for foreign operations	Reserve for transactions with non-controlling interests	Other reserves *)	Treasury shares	Total	Non-controlling interests	Total capital
	NIS millions										
Balance as at January 1, 2019	13	1,910	27	3,403	(20)	(324)	99	(143)	4,965	7,305	12,270
Cumulative effect of initial adoption of IFRS 16 as at January 1, 2019	-	-	-	(1)	-	-	-	-	(1)	-	(1)
Balance as at January 1, 2019	13	1,910	27	3,402	(20)	(324)	99	(143)	4,964	7,305	12,269
Net profit	-	-	-	234	-	-	-	-	234	552	786
Other comprehensive loss	-	-	-	-	(633)	-	(102)	-	(735)	(251)	(986)
Total comprehensive income (loss)	-	-	-	234	(633)	-	(102)	-	(501)	301 **)	(200)
Acquisition of treasury shares	-	-	-	-	-	-	-	(111)	(111)	-	(111)
Deconsolidation	-	-	-	-	-	-	-	-	-	(3,539)	(3,539)
Expiry of conversion option	-	9	(9)	-	-	-	-	-	-	-	-
Transactions with non-controlling interests	-	-	-	-	-	35	-	-	35	-	35
Dividends	-	-	-	(254)	-	-	-	-	(254)	-	(254)
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	(623)	(623)
Balance as at December 31, 2019	13	1,919	18	3,382	(653)	(289)	(3)	(254)	4,133	3,444	7,577

*) As at December 31, 2019, includes mainly capital reserve (negative) for financial assets at fair value through other comprehensive income in the amount of NIS 106 million and credit balance for cash flow hedging transactions in the amount of NIS 92 million

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

Net profit attributable to non-controlling interests	552
Profit for financial assets at fair value through other comprehensive income, net	71
Loss from cash flow hedges	(8)
Foreign currency translation differences for foreign operations	(314)
Total comprehensive income attributable to non-controlling interests	301

The accompanying notes are an integral part of the consolidated interim financial statements.

Consolidated Statements of Cash Flows

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2020	2019	2020	2019	2019
	Unaudited				Audited
	NIS millions				
Cash flows from operating activities					
Net profit (loss)	(2,692)	984	296	141	786
Adjustments to reconcile cash flows from operating activities (a)	5,253	2,796	283	117	4,037
Net cash from operating activities	2,561	3,780	579	258	4,823
Cash flows from investing activities					
Purchase of fixed assets, investment property and intangible assets	(50)	(311)	(13)	(124)	(330)
Proceeds from sale of fixed assets and investment property	35	90	-	7	93
Proceeds from sale of oil and gas assets	-	-	-	-	160
Proceeds from sale of financial assets, net	403	(13)	334	(44)	113
Repayment (provision) of loans to associates, net	3	-	4	(1)	-
Short-term investments, net	(104)	265	131	(46)	237
Change in long-term bank deposits, net	24	(58)	(3)	39	(188)
Investments in oil and gas exploration and assets	(959)	(2,712)	(222)	(926)	(3,621)
Cash received from disposal of investments in previously reported consolidated subsidiaries (B)	836	-	545	-	1,320
Insurance reimbursements	65	-	65	-	-
Cash flows used for acquisition of control in companies and operations (C)	(7)	(38)	-	(15)	(6,086)
Advance payment on account of acquisition of a subsidiary	-	(722)	-	-	-
Proceeds from sale of an investment in associates, net of transaction costs	169	355	-	-	750
Tax paid for the sale of and investment in corporate company	-	(21)	-	-	(21)
Investments in associates	(1)	(161)	-	(37)	(427)
Repayment of loans to others, net	63	234	3	98	321
Net cash from (used for) investing activities	477	(3,092)	844	(1,049)	(7,679)

The accompanying notes are an integral part of the consolidated interim financial statements.

Consolidated Statements of Cash Flows

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2020	2019	2020	2019	2019
	Unaudited				Audited
	NIS millions				
Cash flow from financing activities					
Short-term loans from banks and others, net	(905)	235	(657)	384	(9)
Transactions with non-controlling interests	(137)	-		-	-
Receipt of long-term loans	113	2,725	13	1,221	6,848
Repayment of long-term loans	(8,927)	(761)	(7,283)	(243)	(1,966)
Dividend paid	-	(254)	-	-	(254)
Dividend paid to non-controlling interests	(55)	(495)	-	(266)	(498)
Acquisition of treasury shares by a subsidiary partnership	(60)	(97)	-	(90)	(111)
Repayment of lease liabilities	(132)	(139)	(45)	(67)	(174)
Payment for contingent consideration	(200)	(35)	-	(35)	(35)
Issue of shares and options by the Company (net of issuance costs)	307	-	172	-	-
Issue of debentures and convertible debentures into shares (less issuance costs)	7,578	693	7,578	297	2,561
Repayment of debentures	(1,310)	(711)	(936)	(524)	(1,131)
Net cash from (used for) financing activities	(3,728)	1,161	(1,158)	677	5,231
Exchange differences on cash balances of foreign operations	(5)	(45)	(4)	(16)	(32)
Change in cash and cash equivalents attributable to operations held for sale	(44)	(2,312)	(23)	(147)	(2,312)
Increase (decrease) in cash and cash equivalents	(739)	(508)	238	(277)	31
Cash and cash equivalents at the beginning of the period:	1,517	1,486	540	1,255	1,486
Cash and cash equivalents at the end of the period	778	978	778	978	1,517

The accompanying notes are an integral part of the consolidated interim financial statements.

Consolidated Statements of Cash Flows

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2020	2019	2020	2019	2019
	Unaudited				Audited
	NIS millions				
(A) Adjustments to reconcile cash flows from operating activities:					
Adjustments to profit or loss					
Depreciation, depletion, amortization, and impairment of assets	5,444	975	411	282	2,386
Deferred taxes, net	(1,090)	17	(16)	(196)	(442)
Increase (decrease) in employee benefit liabilities, net	(3)	3	(1)	(14)	3
Decrease (increase) of loans granted, net	24	42	(36)	30	33
Profit (loss) from the sale of fixed assets, real estate and investments, net	356	(200)	111	(2)	(262)
Group's share of results of associates, net (1)	6	119	11	79	28
Loss from the sale of oil and gas assets	-	-		-	3
Change in fair value of financial assets and financial derivatives, net	285	(279)	8	(44)	(411)
Increase (decrease) in long-term liabilities, net	96	(23)	56	(50)	(8)
Decrease (increase) in deferred acquisition costs	-	(52)	-	(1)	(52)
Cost of share-based payment	(5)	1	-	(2)	2
Change in financial investments of insurance companies, net	-	(5,803)	-	(1,179)	(5,803)
Investments net of proceeds from the sale of financial assets at fair value through other comprehensive income in insurance companies, net	-	(4,376)	-	(1,161)	(4,376)
Increase in reserves and other provisions in insurance companies	-	12,601	-	2,599	12,601
Acquisition of investment property for performance-based contracts and other investment property in insurance companies	-	(199)	-	(82)	(199)
Increase in reinsurance assets	-	(218)	-	(32)	(218)
Change in value of investment property, net	4	(13)	-	1	(47)
Proceeds received for hedging transactions swap	547	-	-	-	-
Changes in operating assets and liabilities:					
Decrease (increase) in trade receivables	(104)	132	(320)	(122)	211
Decrease (increase) in other receivables	53	171	(16)	(13)	169
Decrease (increase) in inventory	22	41	(21)	(30)	15
Decrease (increase) in other assets, net	(8)	4	(2)	(3)	15
Increase (decrease) in trade payables	18	(204)	108	74	164
Increase (decrease) in other accounts payable	(392)	57	(10)	(17)	225
	5,253	2,796	283	117	4,037
(1) Net of dividends and earnings received	-	181	-	38	181

The accompanying notes are an integral part of the consolidated interim financial statements.

Consolidated Statements of Cash Flows

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2020	2019	2020	2019	2019
	Unaudited				Audited
	NIS millions				
(B) <u>Cash added from disposal of investments in previously consolidated companies</u>					
Working capital, net	17	-	(74)	-	-
Investments in oil and gas exploration and production assets	550	-		-	-
Fixed assets	444		444		
Intangible assets	308		308		
Other long-term assets	261	-	-	-	-
Deferred taxes	(174)	-	-	-	-
Long-term liabilities	(22)		(22)		
Loan to the buyers for the acquisition	-	-	-	-	(152)
Assets held for sale	-	-	-	-	103,607
Liabilities attributable to assets held for sale	-	-	-	-	(97,967)
Movement in capital reserves, net	18				(30)
Profit (loss) on disposal of an investment	(346)	-	(111)	-	66
Non-controlling interests	(211)	-	-	-	(3,539)
Investment in a financial asset at fair value through profit or loss	-	-	-	-	(665)
	836	-	545	-	1,320
(C) <u>Investment derecognized for acquisition of control in companies and operations</u>					
Working capital (excluding cash and cash equivalents), net	2	5	-	2	(2)
Investments in exploration and production of oil and gas assets	-	-	-	-	(7,554)
Fixed assets, net	(9)	(1)	-	-	(39)
Other long-term assets	-		-		(705)
Deferred tax reserve (deferred tax asset)	-	11	-	11	1,731
Intangible assets and goodwill arising on acquisition	-	(93)	-	(32)	-
Goodwill	-	-	-	-	(2,837)
Non-current liabilities	-	-	-	-	3,358
Derecognition of investment in an associate	-	32	-	-	-
Contingent consideration	-	8	-	3	-
Assets held for sale, net	-	-	-	-	(38)
	(7)	(38)	-	(16)	(6,086)

The accompanying notes are an integral part of the consolidated interim financial statements.

Consolidated Statements of Cash Flows

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2020	2019	2020	2019	2019
	Unaudited				Audited
	NIS millions				
(D) Significant non-cash activities					
Purchase of fixed assets, investment property and intangible assets	6	34	6	34	9
Investment in oil and gas assets against liability	191	517	191	517	567
Dividend to non-controlling interests	-	13	-	13	47
Exercise of rights for royalties against receivables	-	-	-	-	27
Distribution of shares of an associate as a dividend in kind for non-controlling interests	-	147	-	147	147
Sale of investment property against loan provided	-	39	-	39	39
Repayment of a liability to a bank against the sale of participating units in a subsidiary partnership	207	-	207	-	-
Repayment of a liability to a bank against the sale of shares in swap transactions	-	-	-	-	132
(e) Additional information on cash flows					
Cash paid during the period for:					
Interest	1,187	782	458	247	1,381
Taxes	233	259	-	97	263
Cash received during the period for:					
Interest	11	528	2	188	547
Dividends	-	81	-	54	113
Taxes	1	453	-	-	509

(F) See Note 3A and 3E for information about cash flows from discontinued operations.

The accompanying notes are an integral part of the consolidated interim financial statements.

NOTE 1: GENERAL

These financial statements have been prepared in condensed format as at September 30, 2020 and for the nine and three months then ended ("the Consolidated Interim Financial Statements"). The financial statements should be read in the context of the Company's annual financial statements as at December 31, 2019 for the year then ended, and their accompanying notes ("the Annual Financial Statements").

A. Covid-19 Crisis and decline in oil and gas prices

In December 2019, the Covid-19 pandemic broke out in China. In the reporting period, the virus spread to many countries around the world and in March 2020, it was declared a pandemic by the World Health Organization ("the Covid-19 Crisis"). The spread of Covid-19 has caused widespread morbidity and mortality in many countries. Due to the Covid-19 Crisis, many countries have imposed and are continuing to impose significant restrictions that included and/or include, among other things, self-isolation, restrictions on traffic and transportation (including flights), and closure and reduction of business activity. The crisis and the associated restrictions have caused a significant slowdown in global economic activity and sharp declines and fluctuations in capital markets around the world. Following the decline in business activity, there has been a slump in demand for oil products. Moreover, in March 2020, the Russia-Saudi Arabia oil price war was reflected in an increase in oil production compared to the decline in demand. These events resulted in plummeting oil and natural gas prices in some countries. However, agreements have recently been reached between countries to reduce the volume of daily oil production in the coming months. In addition, in the first half of 2020, many countries started to adopt an exit strategy and controlled and gradual return to routine. In this context, it should be noted that in 2020 and shortly before the approval date of the financial statements, oil prices were highly volatile, and, at its lowest point, the Brent oil price was USD 16 per barrel and shortly before the approval date of the financial statements, following the recovery in the markets, the Brent oil price is USD 48 per barrel (as at December 31, 2019 the price was USD 65 per barrel).

As at the approval date of the financial statements, there is significant uncertainty regarding when the pandemic will be contained and/or will break out again and the continuation and/or deepening of the global economic crisis, and future oil and natural gas prices. However, a number of companies and entities have recently announced significant progress in the development of a Covid-19 vaccine, which, after approval for use, may curb the pandemic.
Since the Group's main activity is in the energy sector, if oil and natural gas prices remain at a low level over a prolonged period, this could have, in the future as well, a material adverse effect on the Group's operating results, on the value of its assets (marketable and non-marketable), capital, cash flows from its operating activity, as well as on its ability to dispose of assets and on the expected considerations from the disposals, and on its ability to raise additional sources of financing and/or financing costs. It is further noted that continuation of the crisis may result in a decline in local and global demand for the Group's products, and impairment of the economic robustness of the Group's customers, partners and suppliers.
For information about asset impairment and amortization assessments in the reporting period, see Notes 3 and 5 below. In this context, it should be noted that the estimates used by the Group for the assessments may be volatile, among other things, due to the aforesaid uncertainty. The Group will continue to review its estimates and update them according to developments in connection with the crisis, its effect on the economy in Israel and globally, and its effect on prices of oil and natural gas.

In addition, it should be noted that in view of the economic crisis in global markets and the sharp decline in oil and gas prices in the first nine months of 2020, there was a very significant decline in the trading value of the shares of the Company and its investees (including the participating units of Delek Drilling - Limited Partnership ("Delek Drilling" or "the Partnership"), which resulted in significant impairment of the Group's financial position and its liquid resources, mainly due to the fact that some of these shares served as collateral for the credit facilities provided to the Group. As at the approval date of the financial statements, the Group has repaid the full amount of credit facilities provided, which were secured mainly by the participating units of Delek Drilling. For information about the Group's financial position, see section B below. It is further noted that recently there has been a significant increase in the marketable value of the Company's shares and the participating units of Delek Drilling.

NOTE 1 – GENERAL (CONTD.)

B. Financial position of the Group

1. General

- As at September 30, 2020, the Company (separate) has a working capital deficit of NIS 6.1 billion, and the Group (consolidated) has a working capital deficit of NIS 9.4 billion, mainly due to classification of debentures in the amount of NIS 4.8 billion to short term. This classification is mainly in due to the fact that some of the waiver items in the amended the deed of trust of the debentures series of June 2020 (see Note 10) are for less than twelve months from the date of the financial statements.
  It should be noted that, in addition to the aforesaid regarding the liabilities of the Company (separate), the Company provided certain guarantees to banks and other institutions for loans and credit taken out by certain subsidiaries ("the Staff Companies"). Based on the current repayment schedules (taking into consideration the agreements with banks, debenture holders and others),
  in the period between October 2020 and September 2021, the Company and the Staff Companies have repayments (of principal and interest) amounting to NIS 2.1 billion and in the period between July 2021 and June 2022, another NIS 2.1 billion.

- As at September 30, 2020, liabilities (short- and long-term) to financing entities (mainly to debenture holders and banks and other institutions) of the Company and the Staff Companies amount to NIS 6.7 billion, against the financial assets (short- and long-term, mainly cash, deposits and marketable securities measured at fair value) of the Company and the Staff Companies as at that date in the amount of NIS 139 million.

- Shortly before the approval date of the financial statements (after disposal and securitization of assets and receipt of a dividend from an investee), the liabilities amount to NIS 6.1 billion and financial assets (mainly cash, marketable securities measured at fair value, and pledged deposits in favor of the debenture holders) amount to NIS 312 million. For information about the updated collateral for these liabilities (taking into consideration agreements with banks, debenture holders, and others as described above), see Note 10 below.

2. Decrease in oil and gas prices and implications on financial covenants

- As set out in section A above, in the reporting period, the Covid-19 Crisis broke out (and it is still ongoing), which resulted in a significant slowdown in the local land global economy and a significant drop in oil and gas prices (having an adverse effect on the Group's main activity). It should be noted that, as a result of the above, from the beginning of 2020 until the approval date of the financial statements, the following main events occurred:

  - There was a significant decrease in the TASE value of the shares of the Company and its investees (mainly Delek Drilling). However, in recent weeks, there has been a significant increase in the value of the Company's shares and Delek Drilling's units.

  - There was an increase in returns from the Company's debentures (traded shortly before the approval date of the financial statements at substantial double-digit returns), which could make it difficult in practice to refinance/raise additional debt and debentures. However, in recent weeks, there has been a significant decrease in returns on the Company's debentures.

NOTE 1 – GENERAL (CONTD.)

B. Financial position of the Group (contd.)

2. Decrease in oil and gas prices and implications on financial covenants (contd.)

- There was a significant decrease in capital attributable to the Company's shareholders, which amounted to NIS 1.5 billion as at September 30, 2020 (as at December 31, 2019, NIS 1.4 billion). As set out in Note 10, in accordance with the provisions of the revised deed of trust, the capital attributed to the Company's shareholders as at June 30, 2021, should amount to a minimum amount of NIS 1.6 billion. It should be noted that the continuation of the Covid-19 pandemic and further declines in oil prices and/or the USD exchange rate and/or the sale of assets in a quick disposal may adversely affect the balance of capital attributed to the Company's shareholders. On the other hand, future capital raising, an increase in oil prices, and continued improvement in the results of the investees will lead to an increase in capital attributed to the Company's shareholders.

- As at the approval date of the financial statements, the Company and the Staff Companies repaid the full amount of the bank debts, other than the debt to a foreign bank amounting to USD 37 million, and the Group intends to repay an additional USD 30 million from the consideration it received for the sale of Delek Israel. Subsequent to the repayments, the balance of the loan to the foreign bank amounted to USD 7 million only.

- Following the spread of Covid-19, which led to sharp volatility in the capital markets in Israel and the world and plummeting oil and gas prices, there was an impairment in market value of the collateral (mainly Delek Drilling participating units) provided by the Company and its subsidiary Delek Energy Systems Ltd. ("Delek Energy") in favor of the credit providers. Under the provisions of the financing agreements, the impairment in the collateral against the balance of the debt to the credit providers fell below the rates set out in the various loan agreements, and as a result, at certain periods in 2020, the Company and Delek Energy were required to provide (pledge) additional collateral and/or to deposit cash (under the provisions of any agreement) in favor of the credit providers to meet the requirements of the agreements and/or to attempt to avoid a call for immediate repayment of the debt. It should also be noted that shortly before the approval date of the financial statements, the Group repaid the balance of the bank debts in full. In this context, it is noted that:

1) For a specific loan provided to Delek Energy by a foreign bank in 2013, with a balance of USD 57 million in March 2020, secured at that time by a lien on participating units representing 15% of the capital of Delek Drilling in favor of the foreign bank, in March 2020, the foreign bank claimed that in view of the exceptional decline in the price of Delek Drilling units, it (allegedly) has grounds to call for immediate repayment of the debt. Accordingly, on March 15, 2020, the foreign bank entered into an agreement with a third party for the sale of 12% of the Partnership's capital. Under the settlement arrangement between Delek Energy, the foreign bank, and a third party, which was completed on March 26, 2020, Delek Energy acquired 7% of the Partnership's units (out of the 12%) for a consideration of USD 35.8 million. The remaining 3% of the Partnership's units were released back to Delek Energy.

   After the completion of the aforesaid, the Group holds 55% of the capital of Delek Drilling. Following the aforesaid (net disposal of 5% of the capital of Delek Drilling), the capital attributable to the Company's shareholders decreased by NIS 329 million. For further information, see Note 3C to the financial statements.

NOTE 1 – GENERAL (CONTD.)

B. Financial position of the Group (contd.)

2. Decrease in oil and gas prices and implications on financial covenants (contd.)

2) For the loan of NIS 100 million backed by Delek Drilling's participating units, provided by an Israeli bank ("the Bank") to Delek Energy and guaranteed by the Company, on March 31, 2020, the Bank informed Delek Energy and the Company that the participating units that had been pledged in its favor had fallen below the value set in the agreement and since additional participating units had not been pledged to it in accordance with the terms of the loan, it seeks to call for immediate repayment of the loan and to immediately exercise the collateral provided in its favor.
In discussions between the Company and Delek Energy with the Bank, the Bank sent an update letter stating the terms and requirements for postponing the exercise of the collateral. To avoid a situation in which the Bank exercises the participating units that were pledged to it, Delek Energy pledged additional participating units in favor of the Bank (at a lower rate than that stipulated in the loan terms), even though Company and Delek Energy believe that under the special circumstances, partially due to the Covid-19 Crisis, the Bank does not have the right to demand additional collateral and/or immediate repayment of the loan. Following the addition, the participating units pledged in favor of the Bank represent 5.7% of the capital of Delek Drilling (compared with 4.4% of the capital of Delek Drilling prior to the increment).

The Bank gave Delek Energy until April 30, 2020 to fulfill the requirements in the letter of suspension of exercise, and on this date, if the requirements have been fulfilled, the financing facility will be provided again. As at April 30, 2020, the Company was unable to reach agreements with the Bank, on that date, that would ensure the non-exercise of the pledged participating units. Accordingly, on April 30, 2020, Delek Energy filed a motion for a temporary injunction ordering the Bank to refrain in any way from exercising the participation units pledged in its favor (among other things, in view of the Company's position that it has no grounds to call for immediate repayment). Following the court hearings, in May 2020, Delek Energy repaid its debt to the bank.

NOTE 1 – GENERAL (CONTD.)

B. Financial position of the Group (contd.)

2. Decrease in oil and gas prices and implications on financial covenants (contd.)

3) For the loan of USD 200 million taken by a wholly-owned foreign subsidiary (DKL Energy), as set out in Note 10F(3) to the Annual Financial Statements, and in view of the fact that the loan is not backed by marketable assets (other than 51% of the share capital of Delek North Sea Limited ("DNSL") and the entire share capital of Ithaca, which are not a traded company), the loan agreement sets out margin call events that included a decrease of 20% in the index of benchmark companies (as defined in the loan agreement) or in the FTSE-100 Index, where in such event, the borrower will be required to deposit cash in the amount of the decrease in value as defined in the agreement. Grounds for early repayment under the loan agreement that included a 50% decrease in the index of benchmark companies, a decrease of 50% in the FTSE-100 Index, a decrease of 50% in Company's shares, and a downgrade in Maalot's rating of the Company to BBB (plus) or below, represent grounds for repayment of half of the loan amount. The loan was provided under limited recourse terms and the Company provided the lender a guarantee for the borrower's obligation to unpaid accrued interest, the first margin call, and exceptional violation events.
In 2020, DKL Energy failed to comply with specific financial covenants in connection with the loan that conferred on the Bank the right to call for immediate repayment of part/or of its debt. On April 7, 2020, the Bank signed an amendment to an agreement according to which the cash deposit amounting to USD 43.3 million was used for partial repayment of the loan and extension of the cure period for the call for immediate repayment, in May 2020, another amount of USD 20 million was repaid due the dividend received from Ithaca (the balance of the loan amounted to USD 137 million as at September 30, 2020).

On August 27, 2020, wholly-owned foreign subsidiaries of the Group, DKL Energy and Delek North Sea Limited ("DNSL" and jointly "the Foreign Subsidiaries") signed an amendment and addition to the agreement with a foreign bank in connection with the loan ("the Amended Agreements"), which came into effect after completing registration of the collateral in October 2020. Under the Amended Agreements, a waiver was received from the foreign bank for failure to comply with financial covenants (for which, up to October 2020, a waiver was granted for fixed periods that were extended from time to time). There was no change in the original repayment dates of the principle. There will be a 2% increase in the interest rate on the loan up to November 2020, followed by an increase of another 2%. The existing collateral remained, and collateral of the balance of DNSL shares was added, such that 100% of the shares of DNSL, the parent company (100%) of Ithaca were pledged, and a loan and capital note between DKL Energy and DNSL will be pledged. Under the Amended Agreements, there was no change in events underlying the Company's guarantee.

In addition, a negative pledge was provided on 6% of the total participating units of Delek Drilling, in the same amount of units as a negative lien provided to another foreign bank.

Subsequent to the balance sheet date, in November 2020, an additional USD 100 million of the loan was repaid due to a dividend from Ithaca. Subsequent to the repayment, the balance of the loan amounted to USD 37 million. The Group intends to repay an additional USD 30 million, such that subsequent to the repayment, the balance of the loan from the foreign bank amounted to USD 7 million only.

NOTE 1 – GENERAL (CONTD.)

B. Financial position of the Group (contd.)

2. Decrease in oil and gas prices and implications on financial covenants (contd.)

Liabilities, financial covenants, and grounds for immediate repayment

The Amended Agreements eliminated the margin call events that were set out in the original agreement and removed criteria relating to ratings and the Company's share price and various indexes described above.

Under the Amended Agreements, the undertaking to comply with financial covenants remained unchanged, according to which the ratio of total net debt to net profit before taxes and financing, net of depreciation and amortization and net of appraisal and exploration expenses (EBITDAX) does not exceed 2.5. A review of this ratio is required at each calculation date (March 31, June 30, September 30, and December 31 of each year). As at September 30, 2020, this ratio was 2.0.

Under the amended agreements, the lender has the right to call for immediate repayment of the loan (after the cure period), among other things, in the event of failure to pay on time, non-compliance with the dividend obligations set out above, non-compliance with the financial covenants set out above, changes in inter-company loans in the foreign subsidiaries, non-compliance with undertakings according to the agreement, events of change in control of assets, events of insolvency and liquidation in Delek Group companies, and impairment in the closing value of the S&P Global Oil Index below the level set in the agreement. The right to call for immediate repayment was also determined in the event of cross default in the borrower group (DKL Energy and subsidiaries and its investees) and in the event of the materialization of this right.

- On March 23, 2020, Midroog Ltd. (“Midroog”) downgraded the rating of the Company’s debentures from A2.il to Ca.il (down 14 ratings), due to Midroog’s assessment of a high probability of default. The Company disputed the rating report of Midroog and its result. On April 1, 2020, Maalot downgraded the Company’s debentures from ilA to ilBBB (a downgrade of four ratings), keeping it on CreditWatch with negative outlook, due to weak liquidity reflected in a material gap between short-term sources and uses. Following the downgrade, the annual interest rate of some of the debenture series increased by 1%. It is further noted that on May 5, 2020, Maalot downgraded the Company's debenture rating to ilCCC with negative outlook due to the increased risk of default. On September 30, 2020, Maalot revised the rating to ilCCC with developing outlook.

  In addition, further to Note 19 to the Annual Financial Statements, a downgrade in the rating to below BBB- of Maalot or an equivalent rating for more than 21 business days represented grounds to call for immediate repayment of the debentures. In this context, it should be noted that on April 13, 2020, the Company announced the termination of its relations with Midroog and that Midroog will cease to serve as the Company’s rating company from that date. The Company's series of debentures will continue to be rated by Maalot.

- The deeds of trust of the debentures include grounds for immediate repayment in the event of a change of control (below 30%) which could impair the Group's solvency.

NOTE 1 – GENERAL (CONTD.)

B. Financial position of the Group (contd.)

2. Decrease in oil and gas prices and implications on financial covenants (contd.)

- Further to the above, regarding the impairment of the various collaterals, the rating downgrade, the deterioration in the ratios of Company's debt to asset value, and the going concern remark in the Annual Financial Statements, in the reporting period, there were events that are considered or that may be considered to be events of default for some of the liabilities of the Company and the Staff Companies towards the financial institutions and the debenture holders. For information about the agreements and the amendment to the deeds of trust that were approved on June 17, 2020 with the Company's debenture holders, and the standstill agreement with some of the banks, under which the grounds for calling for immediate payment were revised and/or frozen, see section 4 and Note 10 below. In this context, it should be noted that in under the provisions of the amendment to the deed of trust, it was determined that as from June 1, 2021, the debenture holders will have the right to call for immediate repayment if the debenture rating falls below BBB-.
  As at September 30, 2020, the procedure for recording collateral for one of the banks had not yet been completed. In view of the aforesaid, the amendment and the addendum to the loan agreement did not come into effect, however the Group had a letter of waiver from the foreign bank for non-compliance with the covenants. As at the approval date of the financial statements, the amendment and the addendum to the loan agreement came into effect. For further information, see section B2(3) above.

3. Disposal of assets and investments and raising capital

- In view of the sharp decline in the Company's cash balance and in order to meet current debt repayments, in March 2020, the Company disposed of the balance of its holdings (20%) in the shares of IDE Holdings Ltd. ("IDE") for NIS 169 million (see Note 3B) and an investment property in Haifa for NIS 33 million. In addition, in April 2020, the Company disposed on the balance of its holdings in the shares of Cohen Development for NIS 207 million (see Note 3D). In July 2020, the transaction was completed for the sale of the rights of the Company and Delek Energy to overriding royalties in the Karish and Tanin reservoirs for a consideration of NIS 318 million. For further information, see Note 5J.

- In July 2020, Delek – The Israel Fuel Corporation ("Delek Israel") completed the transaction for the sale of its holdings in the Pi Glilot terminals for a consideration of NIS 720 million (see Note 3E1) and a binding detailed agreement was signed for the disposal of Delek Israel's holdings in IPP Delek Ashkelon Ltd. and IPP Delek Sorek Ltd., which hold power plants. For further information, see Note 3E.

  In July 2020, Delek Israel distributed a dividend to the Group in the amount of NIS 150 million.

- Subsequent to the balance sheet date, in October 2020, the Group sold 70% of the share capital of Delek Israel for NIS 525 million. On the closing date of the transaction, the Buyer paid an amount of NIS 450 million in cash against the transfer of 60% of Delek Israel's share capital to the Buyer. The Buyer will transfer the balance of the consideration of up to NIS 75 million by June 30, 2021 against up to an additional 10% of Delek Israel's share capital. For further information, see Note 3E(4).

NOTE 1 – GENERAL (CONTD.)

B. Financial position of the Group (contd.)

3. Disposal of assets and investments and raising capital (contd.)

- In April and May 2020, the Company informed the banks of early termination of all the swap transactions in connection with The Phoenix shares. The swap shares (25,000,000 shares) were sold by the banks in off-floor transactions for an amount of NIS 413 million. On completion of the transactions, a cash amount of NIS 143 million, which was pledged to the banks to secure the transactions, as is standard in this type of transaction, was released in favor of the Company. For further information, see Note 3A(3).

- In May and August 2020, the Group completed raising of capital (shares and options) in the amount of NIS 137 million and NIS 176 million, respectively. For further information, see Note 7. Furthermore, the Company is required to raise additional capital in accordance with the revised deed of trust for the debenture series, for further information, see Note 10.

- Subsequent to the balance sheet date, on October 28, 2020, Delek Leviathan Overriding Royalty Ltd. ("the Issuer"), a special purpose company of Delek Energy, completed the issuance of debentures to foreign and Israeli classified investors in the amount of USD 180 million (gross), which was secured by a lien on the rights to overriding royalties from the Leviathan project that were transferred to the Issuer. For further information, see Note 5R below.

- In addition, the Group is assessing the disposal of additional assets (including in respect of the Group's investment in Ithaca) and obtaining loans, among other things, as part of the agreements signed with the debenture holders, as set out in section 4 below.

4. Discussions and agreements with representatives of the debentures holders and with banks on the outline for reinforcing capital and collateral

In March 2020, the general meeting of the Company's debenture holders approved the establishment of a joint representation on their behalf and joint legal and economic advisors for all debenture series, with the aim of assisting the debenture holders and trustees and to act as their representative in the assessment of the Company's financial position, the alternatives, and the actions available to the debenture holders to protect their rights and in negotiations and proceedings with the Company and/or its controlling shareholder. The Company and the representation held discussions, with the aim of regulating the terms of the debentures and the Company's obligations to them. In addition, in April-June 2020, the Company and certain banks held negotiations, due to the breach of the covenants, with the aim of arranging the terms of the loans that were provided and the Company's obligations to them. In June 2020, amendments to the deeds of trust with the debenture holders and an agreement with the banks were approved. Under the agreements, the Company undertook to raise capital, dispose of assets, pledge assets and investments in favor of the debenture holders and the banks, and comply with various financial covenants, some of which were revised in the agreements. The agreements set out events and covenants, which, if breached, will allow the debenture holders and the banks to call for immediate repayment of the Company's obligations to them.
In this context, it was determined, among other things, that as from June 1, 2021, the rating of the Company's debentures will be at least (BBB-) and the Company is required to meet the minimum equity and equity to balance sheet ratios according to the various parameters that gradually increase over the years. For 2021, it was determined that as from the financial statements for the second quarter of 2021 and up to and including the annual financial statements for 2021, the Company is required to meet a minimum equity of NIS 1.6 billion and the equity to balance sheet ratio (separate) will not fall below 12.5%. For further information, see Note 10.

It should be noted that if the Company foresees that it will not meet the financial covenants, it intends to act to obtain a waiver and/or extension and/or amendment to the relevant covenants.

NOTE 1 – GENERAL (CONTD.)

B. Financial position of the Group (contd.)

5. Repayments to debenture holders and banks and pledge of assets

In 2020 and shortly before the approval date of the financial statements, the Company and its Staff Companies repaid the full amount of their liabilities to the debenture holders and the banks under the agreements with them, including in connection with the agreements set out in section 4 above, amounting to a total of NIS 840 million. For further information, see Note 10.

6. Conclusion

Under the agreements with the debenture holders and the financial institutions, and for the Company and the Staff Companies to meet repayment of their liabilities, the Company was and is required to raise a substantial amount of capital, dispose of assets and investments on a substantial scale, raise debt based on assets, and receive dividends from investees. The amounts of these sources are required for the repayment of the Company's liabilities, which reach substantial amounts (by the end of 2020, the Company is required to repay liabilities to the debenture holders, financial institutions and others amounting to NIS 3.0 NIS billion (most of which has already been deposited in an account pledged in favor of the trustee of the debenture holders); in 2021, NIS 1.3 billion; in the nine months of 2022, NIS 1.7 billion).

As aforesaid, repayment of the liabilities of the Company and the Staff Companies at their due date is subject to their ability to dispose of assets and investments on a significant scale; raise debt and capital on a significant scale, some of which is required in the near future and is greatly affected by oil and natural gas prices; and receive dividends from investees. In addition, as set out above, the Company is required to comply with the terms of the agreements and covenants with the debenture holders (and with the financial institutions) so that they will not call for immediate repayment of the obligations of the Company and the Staff Companies (in particular raising the ratio of the debenture debts and the minimum thresholds and equity ratios as set out in section 4 above).

It should be noted that the Company's ability to receive a substantial amount of dividend from investees refers mainly to the receipt of dividends from Delek Drilling and Ithaca. The ability of these companies to distribute dividends is subject, among other things, to their compliance with the financial covenants, and to obtain financing from financing entities and/or their ability to generate a significant available cash flows, which is also dependent on the demand for oil and natural gas followed by an increase in the price of oil and natural gas. See also section C below for information about completing the refinancing by Delek Drilling for the Leviathan reservoir in August 2020 in the amount of USD 2.25 billion. Subsequent to the balance sheet date, as set out above, Ithaca distributed a dividend of USD 100 million and in addition, Delek Drilling announced a dividend of USD 65 million (the Group's share is USD 36 million).

The Company acted and is working to realize its plans, including the raising of capital, disposal of substantial assets and investments, raising of debt based on assets and receipt of dividends from investees, in order to meet its various obligations. It should be noted as set out above, that the significant and important actions that the Group was able to complete in a short period in accordance with the outline enabled it to make early repayments to the banks in substantial amounts and to the debenture holders on time and as required. Nonetheless, since completion of the Company's plans is not under its sole control and depends, among other things, as described above, on the materialization of several incremental events, some of which must occur within relatively short periods and/or in a significant scope, there is uncertainty as to the actual fulfillment of the plans and the Company’s compliance with the covenants in the agreements with the debenture holders (if the Company’s plans fail to materialize). These factors, together with the other factors described above, raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include adjustments for the values of assets and liabilities and their classification, which might be required if the Company is unable to continue as a going concern.

NOTE 1 – GENERAL (CONTD.)

C. Financial positions of subsidiaries

1. Delek Drilling

- In August 2020, Delek Drilling (through a special purpose company) issued debentures in an amount of USD 2.25 billion ("Leviathan Bond") (for further information, see Note 5K to the interim consolidated financial statements), which were used primarily to repay short-term loans of USD 2 billion.

- With respect to the Covid-19 Crisis, it should be noted that in certain periods in 2020, there was a decrease in demand and accordingly in sales of the natural gas produced from the Leviathan and Tamar reservoirs ("the Reservoirs"), compared with the Partnership's previous forecasts that were revised in July 2020.

  As at the approval date of the financial statements, it is not possible to estimate the extent and duration of the Covid-19 Crisis and therefore it is difficult to estimate, at this stage, the effect it will have on demand and sales from the Reservoirs in the coming years. If the Covid-19 Crisis continues, it is liable to adversely affect the Partnership and adversely affect various aspects of its operations, among others, a decline in demand for energy products and drop in oil and natural gas prices in international and domestic markets, decreased demand for natural gas in markets relevant to the Partnership and to adversely impact the Partnership's revenues from the Reservoirs and impair the financial robustness of the Partnership's customers and partners. It should be noted that, as at the approval date of the financial statements, there is no impairment to operation of the Reservoirs.

  However, it should be noted that in the third quarter of 2020, sales from the Reservoirs increased compared to sales in the first two quarters of 2020.

2. Ithaca

The Covid-19 Crisis and the decline in oil and gas prices could have a material effect on the results of Ithaca's operations and the value of its assets and its liquidity (including its ability to distribute a dividend to its shareholders). The management of Ithaca is closely following the crisis and the market developments and is taking steps and formulating plans to minimize the implications.

In this context, measures were taken to isolate and separate work teams to the minimum required level, reduce capital investment in 2020, and reduce operating and production costs in substantial amounts. It is further noted that Ithaca has hedge transactions on oil and gas prices for 2020-2022 in a material scope (see Note 8). The management of Ithaca believes that Ithaca will be able to continue its planned activities and repay its obligations on time. For further information about Ithaca, see Notes 3, 5, and 8.

In May 2020, Ithaca distributed a dividend in the amount of USD 20 million (NIS 70 million). In addition, subsequent to the balance sheet date, in November 2020, Ithaca distributed another dividend amounting to USD 100 million (NIS 340 million).

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

A. Preparation format of the Consolidated Interim Financial Statements

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

B. Initial application of amendments to existing accounting standards

1. Amendments to IFRS 7, IFRS 9, and IAS 39

In September 2019, the IASB issued amendments to IFRS 9, Financial Instruments; IFRS 7, Financial Instruments: Disclosures; and Amendment to IAS 39 – Financial Instruments: Recognition and Measurement ("the Amendment").

The Amendment provides temporary reliefs for companies implementing hedge accounting based on the IBOR interest rate and affected by the uncertainty arising from the expected reform in the interest rate benchmark. The interest reform results in uncertainty regarding the dates and amounts relevant to future cash flows related to both hedging instruments and to hedged items.

The Amendment had no effect on the Group's financial statements, since the timing of the reform did not affect the hedge transactions of the Group companies.

2. Amendment to IFRS 3, Business Combinations

In October 2018, the IASB issued an amendment to the definition of a business in IFRS 3, Business Combinations ("the Amendment").

The Amendment clarifies that to be considered a business, an acquired set of activities and assets will include at least material input and processes that together have a significant contribution to the ability to produce outputs. The Amendment further clarifies that a business can also exist without all the inputs and the processes required to create outputs. The Amendment introduces an optional test to determine whether it is not acquisition of a business, without further testing.

The Amendment will be applied initially for business combinations and asset acquisitions for which the acquisition date is from or after January 1, 2020. At this stage, the Amendment has not had any effect on the financial statements.

3. Amendment to IFRS 16, Leases

In view of the Covid-19 Crisis, in May 2020, the IASB issued an amendment to IFRS 16: Leases ("the Amendment"). The Amendment is intended to provide practical relief to lessees according to which changes in lease fees as a result of the Covid-19 Crisis will not be accounted for as lease amendments but as variable lease payments. The Amendment will apply only to the lessee.

The Amendment will apply only to changes in lease payments that meet the following three criteria cumulatively:

- The revised future lease payments are substantially the same as or lower than the fees that the lessee would have been required to pay shortly before the update;
- The reduction in lease payments is for fees relating to the period up to June 30, 2021;
- There has been no material change to the other terms of the lease.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

The Amendment is applicable for annual periods as from June 1, 2020 and will apply retroactively, with an option for early application.
The Group has elected to apply early application of the Amendment and to apply it for all changes in lease fees resulting from the Covid-19 Crisis. Application of the Amendment has no material effect on the financial statements.

C. Standards in the period prior to their application

Amendment to IAS 37, Provisions, Contingent Liabilities and Contingent assets

In May 2020, the IASB issued an amendment to IAS 37 (in this section: “the Standard”) to clarify what costs an entity considers in assessing whether a contract is onerous (in this section: “the Amendment”). According to the Amendment, this assessment should include both incremental costs (such as raw materials and direct working hours) and the allocation of other costs that relate directly to fulfilling the contract (such as depreciation of fixed assets and equipment used in fulfilling the contract). The amendment will be applied for annual reporting periods beginning on January 1, 2022 or after. Early application is permitted.
In the opinion of the Group, at this stage, the above is not expected to have a material effect on the financial statements.

D. Restatement of comparative figures

As set out in Note 10G to the Annual Financial Statements, in 2019 the Group sold its investment in Delek Automotive. Accordingly, the contribution of Delek Israel to the Group's results in the comparison periods was reclassified to profit (loss) from discontinued operations, net. In addition, as set out in Note 3E, signed a binding agreement for the sale of the power plant operation for power generation and Delek Petroleum signed a binding agreement for the sale of 70% of the share capital of Delek Israel. In view of the aforesaid, the operating results of the power plants and fuel sector in Israel were presented in all reporting periods under profit (loss) from discontinued operations, net when comparative figures were reclassified.

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

A. The Phoenix Holdings Ltd. (“The Phoenix”)

1. As set out in Note 10E(4) to the Annual Financial Statements, on November 3, 2019, the transaction was completed and the Company sold 32.5% of the share capital of The Phoenix to a company controlled by international private equity funds (“the Buyer”) for a consideration of USD 1.57 billion at the time of the transaction. Of this amount, NIS 1.335 billion was received in cash by the Company at the closing date and the balance was provided to the Buyer as a loan (as described below).

   Part of the consideration paid by the Buyer was financed by a senior loan of NIS 548 million received by the Buyer from financial institutions (“the Senior Loan”). The loan is for a period of five years, with two options for extension of one year each, subject to the fulfillment of certain conditions.

   The interest will be paid every six months under the terms set out in the agreement below. 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 (“the Credit Support Document”) 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, to guarantee some of the Buyer’s liabilities and in this respect, to deposit certain marketable securities amounting to NIS 100 million, and under the terms set out in the letter of liability, to deposit additional marketable securities and to pledge financial deposits to secure the liability, in an initial amount of NIS 70 million.

   The amounts that the Company is required to deposit in the pledged deposits and the dates on which it is required to deposit them are defined in the agreement, and the amounts may exceed a maximum amount of up to 50% of the amount of the 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: 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; 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.

   Further to Note 1B above, regarding the calling for immediate payment of certain debts of subsidiaries and/or events of default or events that may be considered as events of default for the loans and liabilities of the Company and the Staff Companies. In June 2020, the Company reached agreements with the financial institutions, according to which, among other things, the Company will pledge additional collateral in favor of the financial institutions (securities and cash amounting to NIS 100 million), and that as long as the debt towards the debenture holders is not called for immediate repayment, or the condition for repayment in the amendment to the deed of trust does not materialize (as defined in Note 10 below), the financial institutions will not demand completion of additional collateral, unless one or more of the terms set out in the support documents referring to The Phoenix applies, which requires the Company to complete collateral (provide additional deposits) in an amount not exceeding NIS 40 million.

NOTE 3 – INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (CONTD.)

A. The Phoenix Holdings Ltd. ("The Phoenix") (contd.)

2. The agreement for the sale of The Phoenix shares set out above stipulated adjustments to the sales price, which may result in an increase in the total consideration to be received by the Company, beyond the amount of NIS 1.57 billion, in an amount of up to NIS 866 million, subject to certain adjustments, or to a reduction in the total consideration of up to NIS 196 million. The adjustments include amounts 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 ("the Option") and the rate of return of the Buyer in the investment period in The Phoenix.

   In addition, as part of the agreement for the sale of The Phoenix shares, the Company provided a subordinated loan to the Buyer in the amount of NIS 254 million as at September 30, 2020 ("the Seller's Loan"). For further information, see Note 10E(4) to the Annual Financial Statements.

   The Seller's Loan, components of contingent consideration, and future adjustments (including for the Option) are measured in the financial statements at fair value through profit or loss. As at September 30, 2020, the net fair value of these instruments amounts to NIS 99 million (as at December 31, 2019, NIS 140 million). In view of the above, in the reporting period, the Company recognized a loss in the amount of NIS 53 million (in the third quarter of 2020, a profit of NIS 35 million), which is presented under the profit (loss) item from discontinued operations, net. The fair value was assessed by the valuator using the Monte Carlo model, on the assumption of risk neutrality. In view of the above, and taking into account the payment of interest amounting to NIS 12 million which the Company provided as an additional Seller's Loan, the annual return on The Phoenix shares and the capital price were estimated at 0.28%. In addition, the annual standard deviation was estimated at 27.4% and the rate of the annual dividend to be distributed was estimated at 1.71% of the share value at the end of each quarter, as from the first quarter of 2021. It should also be noted that, shortly before the approval date of the financial statements, the Phoenix share price has increased compared to its price on September 30, 2020, and therefore, at this stage, it is expected that the net fair value of the this loan will also increase, so that part of the decrease recognized by September 30, 2020 will be recorded as profit in the next reporting period.

3. Further to Note 10E(2) to the Annual Financial Statements, the Company held 25,000,000 shares of The Phoenix (representing 9.8% of the share capital of The Phoenix) in the four swap transactions with banks ("the Swap Shares). The investment in the Swap Shares is accounted for as a financial asset at fair value through profit or loss. In April and May 2020, the Company informed the banks of early termination of all the swap transactions. The Swap Shares (25,000,000 shares) were sold by the banks in off-floor transactions for an amount of NIS 413 million. On completion of the transactions, a cash amount of NIS 143 million, which was pledged to the banks to secure the transactions, as is standard in this type of transaction, was released in favor of the Company. In 2020 and up to the exercise date of the swap transactions, the Company recognized a loss of NIS 110 million for the Swap Shares.

NOTE 3 – INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (CONTD.)

A. The Phoenix Holdings Ltd. (“The Phoenix”) (contd.)

4. Further to Notes 10E(6) and 10E(9) of the Annual Financial Statements, results of The Phoenix’s operations are recognized under profit (loss) from discontinued operations. Below is financial information for The Phoenix:

(A) Group of assets and liabilities relating to the operations of The Phoenix classified as held for sale:

	September 30 2019
	Unaudited
	NIS millions
Current assets	
Cash and cash equivalents	1,668
Performance-based cash and cash equivalents	7,597
Assets for holders of liability notes, ETNs and other instruments	628
Short-term investments	1,208
Short-term investments in insurance companies	6,805
Insurance premium receivable	768
Other receivables	416
Current tax assets	246
Reinsurance assets	561
Deferred acquisition costs	575
Asset held for distribution to owners	-
	20,472
Non-current assets	
Financial investments of insurance companies	73,791
Long-term loans, deposits, and receivables	94
Investments in associates	659
Investment property	3,936
Reinsurance assets	1,693
Fixed assets, net	558
Deferred acquisition costs	1,169
Structured bonds	273
Goodwill	1,019
Other intangible assets, net	64
Deferred taxes	31
	83,287
Total assets	103,759

NOTE 3 – INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (CONTD.)

A. The Phoenix Holdings Ltd. ("The Phoenix") (contd.)

4. (contd.)

(A) Group of assets and liabilities relating to the operations of The Phoenix classified as held for sale: (contd.)

	September 30 2019
	Unaudited
	NIS millions
Current liabilities	
Interest bearing loans and borrowings	1,278
Trade payables	95
Other payables	2,595
Liabilities for debentures, ETNs, and other instruments	34
Current tax liabilities	18
Liabilities for insurance contracts	4,917
	8,937
Non-current liabilities	
Debentures	3,593
Structured bonds	251
Bank loans	360
Liabilities for employee benefits	51
Liabilities for insurance contracts	84,582
Provisions and other liabilities	129
Deferred taxes	672
	89,638
Total liabilities	98,575

NOTE 3 – INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (CONTD.)

A. The Phoenix Holdings Ltd. ("The Phoenix") (contd.)

4. (contd.)

(B) Operating results of The Phoenix classified as profit (loss) from discontinued operations, net:

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2020	2019	2020	2019	2019
	Unaudited				Audited
	NIS millions				
Revenue	-	15,081	-	4,213	15,081
Cost of revenues	-	12,002	-	3,445	12,002
Gross profit	-	3,079	-	768	3,079
Selling expenses	-	1,416	-	505	1,416
General and administrative expenses	-	998	-	341	998
Other revenues (expenses), net	-	(2)	-	6	(2)
Operating profit (loss)	-	663	-	(72)	663
Financing income (expenses)	-	(116)	-	(24)	116
Share in earnings of associates	-	47	-	14	47
Profit (loss) before tax	-	594	-	(82)	594
Taxes on income (tax benefit)	-	185	-	(62)	185
Appreciation of the investment	-	3	-	65	69
Change in the value of the seller's loan and contingent consideration	(53)	-	35	-	(12)
Profit (loss) from discontinued operations of The Phoenix	(53)	412	35	45	466
Attributable to:					
Shareholders of the Company	(53)	176	35	52	230
Non-controlling interests	-	236	-	(7)	236
	(53)	412	35	45	466

NOTE 3 – INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (CONTD.)

A. The Phoenix Holdings Ltd. ("The Phoenix") (contd.)

4. (contd.)

C) Composition of net cash flows attributable to the discontinued operations of The Phoenix:

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2020	2019	2020	2019	2019
	Unaudited				Audited
	NIS millions				
Net cash from operating activities	-	2,404	-	(56)	2,404
Net cash used for activities investment	-	(386)	-	(167)	(386)
Net cash from financing activities	-	294	-	370	294
	-	2,312	-	147	2,312
Cash received from the disposal of the investment in The Phoenix	-	-	-	-	1,320
	-	2,312	-	147	3,632

B. As set out in Note 10I to the Annual Financial Statements, in March 2020, the Group sold the balance of its investment (20%) in IDE Holdings Ltd. for NIS 169 million. The net profit (after the effect of tax) arising for the Company's shareholders due to the sale amounted to NIS 20 million, included in the Group's share in earnings of associates, net.

C. As set out in Note 10J to the Annual Financial Statements, on March 14, 2020, in view of the sharp decline in the value of the participating units of Delek Drilling (see Note 1B), a foreign bank contacted Delek Energy, claiming that for a loan secured by a lien in its favor on participating units representing 15% of the capital of Delek Drilling, and in view of the impairment of this collateral, it has grounds to call for immediate repayment of the debt and it demands its immediate repayment. Delek Energy informed the bank that it disputed its claim regarding the call for repayment of the debt, and that its position under the special circumstances in global markets, due, among other things, to the Covid-19 pandemic, did not constitute grounds to call for immediate repayment of the debt and it will invest all efforts at its disposal to uphold this right.

On March 15, 2020, the foreign bank announced that it had entered into an agreement for the sale of 142,341,547 participating units (12% of the capital of Delek Drilling) in an amount equal to the balance of the loan at that date of USD 57 million, representing a significantly lower price than the market price fixed on the last trading day preceding the transaction.

On March 25, 2020, Delek Energy entered into an agreement with a third party that claimed it had entered into an agreement for the purchase of the participating units from the foreign bank ("the Bidder") and that it had reached agreements according to which the agreement between the bank and the Bidder will be completed and shortly thereafter, most of the participating units (7% out of 12%) for which the agreement between the Bidder and the bank was signed will be repurchased by Delek Energy.

NOTE 3 – INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (CONTD.)

C. (contd.)

Under the agreement with the Bidder, Delek Energy purchased from the Bidder 83,768,194 participating units, representing 7% of capital of Delek Drilling, for a consideration of USD 35.8 million (the unit price is the same as the price at which the Bidder purchased the participating units from the bank, plus USD 2.5 million).
The agreement stipulates that if the Bidder seeks to sell the remaining units that it holds (5%), in whole or in part, Delek Energy will have the right of first refusal to announce, within predetermined times, that it seeks to purchase the units offered for sale at a price that will not exceed the closing price of the units on the TASE on the day preceding the date of the Bidder's notice of the sale. Transactions between parties related to the Bidder are excluded from the above, as well as transactions lower than the level specified, starting from a given date.
Delek Energy has reached an agreement with the foreign bank whereby subject to waiving the mutual claims and completion of the transaction with the Bidder, the balance of units held by the foreign bank (3% of the capital of Delek Drilling) were released and transferred to Delek Energy.

In view of the above, on September 30, 2020, the Group directly and indirectly holds 55% of the capital of Delek Drilling. As a result of the above (net disposal of 5% of the capital of Delek Drilling), the capital attributable to the Company’s shareholders decreased by NIS 313 million (mainly due to recognition in capital reserve from transactions with non-controlling interests).

D. On April 19, 2020, an agreement was signed and a transaction completed for the sale of the Company’s entire share capital in Cohen Development Gas and Oil Ltd. (“Cohen Development”), amounting to 51.76% of the issued and paid-up share capital of Cohen Development (“the Sold Shares”) for a cash consideration of NIS 207 million. In addition to the cash consideration, the Company received a dividend from Cohen Development in the amount of NIS 9 million, which was declared prior to completion of the transaction.

The Sold Shares were sold to three different buyers in unequal parts, each purchased separately. As a result of the transaction, in the second quarter of 2020, the Company recognized a loss attributable to equity holders of the Company in the amount of NIS 235 million, (after tax effect) (including for recognition in the statement of income of the foreign operation translation reserve and for to the theoretical disposal of some of the gas and oil assets, as well as the realization of the royalties to which Cohen is entitled).

NOTE 3 – INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (CONTD.)

E. Delek Israel (contd.)

1. On July 7, 2020, a transaction was completed for the sale of all the rights of Delek Israel in Pi Glilot, Limited Partnership (“Pi Glilot”) to a third party and in the land on which the fuel terminals are operated by Pi Glilot in Haifa, Ashdod, Beersheba, and Jerusalem (jointly below: “the Terminals”) for a consideration of NIS 720 million (before deduction of specific costs borne by Delek Israel), which was paid to Delek Israel on the completion date of the transaction, as set out in the agreement. The rights sold include, among other things, the rights of Delek Israel in Pi Glilot, ownership or leasehold rights in the land on which the Terminals are operated, the operations of the Terminals, goodwill, knowhow, and rights in the existing equipment, facilities, and tanks at the Terminals, under the agreement. Pi Glilot will continue to supply Delek Israel with the services it provides at the Terminals for a period that will be set out in the agreement.

   In the reporting period, based also on the transaction price and the estimated capitalization fees to the Israel Lands Authority, which Delek Israel is obligated to bear under the agreement, Delek Israel recognized a provision for goodwill impairment attributable to Pi Glilot in the amount of NIS 111 million, (prior to tax effect).

2. On July 23, 2020, Delek Israel signed a detailed agreement for the sale of 100% of the shares of IPP Ashkelon Ltd. and IPP Sorek Ltd. (which operate the Ashkelon and Sorek power plants) for a total consideration of NIS 367 million (following the memorandum of understanding signed in June 2020 for the sale of these shares). Under the agreement, the consideration will be paid in two installments, with the first amount of NIS 307 million to be paid on the completion date and the balance of NIS 60 million to be paid at one year after the completion date (“the Deferred Consideration”). The Deferred Consideration will bear annual interest at a rate of 2% and will be linked to the CPI. Payment of the Deferred Consideration is secured by a guarantee of the buyer. Delek Israel undertook to indemnify the buyer for tax liabilities that preceded completion of the transaction, and for a possible liability for lease fees to be imposed by the Israel Lands Authority in respect of the Sorek power plant. Completion of the transaction is subject to preconditions, including regulatory approvals (including from the Electricity Authority, the Water Desalination Administration (WDA), and the Competition Authority), the consent of the financing entities of the company holding the Sorek power plant, and the consent of other third parties, including the fact that the Buyer will take the place of Delek Israel or the Company in respect of the guarantees provided by them. Subsequent to the balance sheet date, on November 13, 2020, an addendum to the sale agreement was signed, determining, among other things, that the last date for fulfilling the preconditions was postponed to December 31, 2020, with an option for an additional extension until January 31, 2021. The consideration for the transaction will bear interest in accordance with the rates agreed on between the parties. In view of the Covid-19 Crisis and the increased risk in the economy and the concern of a decrease in production prices of the electricity sold by the power plants, and in view of the aforesaid memorandum of understanding and agreement, Delek Israel assessed the fair value of the power plants based on an independent external valuation. The valuation results are an approximation of the price derived from the power plants as set out in the memorandum of understanding and the agreement. Consequently, in the reporting period, Delek Israel recognized a provision of NIS 191 million for impairment of the power plants (before the tax effect).

NOTE 3 – INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (CONTD.)

E. Delek Israel (contd.)

2. (contd.)

A. Assets attributable to the power plants classified as held for sale and the liabilities attributed to the assets:

	September 30 2020
	Unaudited
	NIS millions
Current assets	
Cash and cash equivalents	22
Short-term investments	17
Trade receivables	92
Other receivables	18
	149
Non-current assets	
Long-term loans and deposits	85
Fixed assets	619
	704
Total assets	853
Current liabilities	
Interest bearing loans and borrowings	18
Trade payables	65
Other payables	3
	86
Non-current liabilities	
Long-term liabilities to banks	427
Provisions and other liabilities	3
	430
Total liabilities	516

NOTE 3 – INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (CONTD.)

E. Delek Israel (contd.)

2. (contd.)

B. Operating results of the power plants classified as profit (loss) from discontinued operations, net:

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2020	2019	2020	2019	2019
	Unaudited				Audited
	NIS millions				
Revenue	362	398	125	143	529
Cost of revenues	335	329	110	114	428
Gross profit	27	69	15	29	101
General and administrative expenses	3	3	2	1	4
Other revenues, net	-	7		-	55
Operating profit (loss)	24	73	13	28	152
Financing expenses, net	30	20	6	5	30
Profit (loss) before tax	(6)	53	7	23	122
Taxes on income (tax benefit)	-	3	-	-	5
	(6)	50	7	23	117
Impairment of an investment	(191)	-	(7)	-	-
Profit (loss) from discontinued operations	(197)	50	-	23	117

C) Composition of net cash flows attributable to the discontinued operations of the power stations:

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2020	2019	2020	2019	2019
	Unaudited				Audited
	NIS millions				
Net cash from (used for) operating activities	37	32	(4)	15	40
Net cash from (used for) investing activities	6	9	14	26	4
Net cash from (used in) financing activities	(23)	(32)	8	(32)	(41)
	20	9	18	9	3

NOTE 3 – INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (CONTD.)

E. Delek Israel (contd.)

3. In July 2020, Delek Israel distributed a dividend to the Group in the amount of NIS 150 million.

4. Subsequent to the balance sheet date, on October 16, 2020, Delek Petroleum signed a binding agreement with Lahav L R Real Estate Ltd. and BGM Ltd. (jointly: “the Buyer”) for the sale of 70% of Delek Israel’s issued and paid up share capital for an amount of NIS 525 million (“the Consideration for the Sold Shares”), reflecting a value of NIS 750 million for Delek Israel. In addition, under the binding agreement, the Buyer was granted an option to purchase an additional 5% of Delek Israel's issued and paid up share capital (“the Option Shares”) as from the closing date and until June 30, 2021, at the same share price as the price of the sale under the agreement, subject to adjustments that were set out, meaning an additional NIS 37 million, in the event of full exercise of the option. This option can only be exercised if the Buyer adds a strategic investor and it is exercisable until June 30, 2021. The transaction was completed on October 28, 2020 and the consideration for the Sold Shares was completed as follows: On the closing date of the transaction, the Buyer paid an amount of NIS 450 million in cash (“the Closing Date Payment”), against the transfer of 60% of Delek Israel’s share capital to the Buyer. The Buyer will transfer the remaining consideration of NIS 75 million (“the Deferred Consideration”) by June 30, 2021 for 10% of Delek Israel’s share capital (“the Additional Shares”). The Additional Shares were deposited with the trustee of the parties until the transfer of their consideration. If the Buyer fails to complete payment of the Deferred Consideration, in full or in part, by June 30, 2021, the trustee for the parties will transfer the proportionate quantity of shares against the part of the Deferred Payment actually transferred by that date, and the remaining purchased shares, held by the trustee for the parties on that date, will be transferred by the trustee for the parties to the trustee of the Company’s debenture holders. The agreement sets out an indemnity section for certain grounds, mainly in respect of Delek Israel's financial statements for a limited period set out in the agreement, and in any case, the indemnity amount for the grounds set out in the agreement will not exceed a cumulative amount of NIS 35 million.

   Alongside the signing of the agreement, Delek Petroleum and the Buyer signed a shareholders' agreement. The shareholders' agreement stipulates, among other things, that Delek Israel's board of directors will have no more than 10 directors and every 10% holding of Delek Israel's share capital will confer on the shareholders the right to one director in Delek Israel and in its material subsidiaries. A dividend distribution policy was established and it was agreed that the parties will act to distribute a dividend for part of the consideration to be received by Delek Israel upon completion of the power plant transaction. See section 2 above. The shareholders' agreement set out matters that require the consent of Delek Petroleum. As at the transaction closing date, the Group no longer consolidates the financial statements of Delek Israel, and will measure the balance of its investment in Delek Israel it at that date at fair value, and thereafter will account for this investment using the equity method. As at September 30, 2020, the Group's investment in Delek Israel amounts to NIS 675 million.

NOTE 3 – INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (CONTD.)

E. Delek Israel (contd.)

5. In view of the intentions and plans for the sale of Delek Israel shares on September 30, 2020 and as set out above, the assets and liabilities of Delek Israel (including for Pi Glilot) as at September 30, 2020 were presented under assets held for sale and liabilities attributable to the assets held for sale, respectively. The operating results of Delek Israel were presented in the reporting period under profit (loss) from discontinued operations, net, with comparative figures reclassified to this item.

   A) Assets attributable to Delek Israel classified as held for sale and the liabilities attributable to the assets:

	September 30 2020
	Unaudited
	NIS millions
Current assets	
Cash and cash equivalents	20
Short-term investments	3
Trade receivables	801
Other receivables	39
Current tax assets	21
Inventory	119
	1,003
Non-current assets	
Long-term loans and deposits	136
Investment property	44
Right-of-use assets	897
Fixed assets	655
Intangible assets	6
Deferred taxes	29
Goodwill	17
	1,784
Total assets	2,787
Current liabilities	
Interest bearing loans and borrowings	629
Trade payables	288
Other payables	388
Current maturities of lease liabilities	120
	1,425
Non-current liabilities	
Long-term liabilities to banks	264
Liabilities for employee benefits, net	9
Provisions and other liabilities	12
Lease liability	734
Deferred taxes	4
	1,023
Total liabilities	2,448

NOTE 3 – INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (CONTD.)

E. Delek Israel (contd.)

4. (contd.)

B. Operating results of Delek Israel (including for Pi Glilot) classified as profit (loss) from discontinued operations, net:

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2020	2019	2020	2019	2019
	Unaudited				Audited
	NIS millions				
Revenue	2,193	3,750	716	1,297	4,912
Cost of revenues	1,774	3,236	540	1,122	4,241
Gross profit	419	514	176	175	671
Selling, marketing and gas station operating expenses	342	360	111	121	487
General and administrative expenses	61	59	19	20	69
Other revenues (expenses), net	(141)	(6)	2	(7)	(12)
Operating profit (loss)	(125)	89	48	27	103
Financing expenses, net	49	53	11	9	67
	(174)	36	37	18	36
Group share in profits (losses) of associates, net	-	-	-	1	(5)
Pre-tax income (loss)	(174)	36	37	19	31
Taxes on income	11	24	10	8	26
Profit (loss) from discontinued operations	(185)	12	27	11	5

C) Composition of net cash flows attributable to the discontinued operations of Delek Israel:

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2020	2019	2020	2019	2019
	Unaudited				Audited
	NIS millions				
Net cash from (used for) operating activities	283	68	(4)	(34)	402
Net cash from (used for) investing activities	563	(17)	518	(2)	(25)
Net cash from (used in) financing activities	(876)	6	(622)	70	(353)
	(30)	57	(108)	34	24

NOTE 3 – INVESTMENTS IN INVESTEE COMPANIES AND PARTNERSHIPS AND DISCONTINUED OPERATIONS (CONTD.)

E. Delek Israel (contd.)

6. In the reporting period, due to the outbreak of the Covid-19 Crisis, Delek Israel reassessed the recoverable amount of the gas stations, which have a carrying amount of NIS 898 million (taking into account the working capital attributable to the gas stations). The recoverable amount is determined by an independent external valuator using a discount rate (before tax) of 12.1% and an average growth rate in gross profit from fuel sales in 2022-2026 at a rate of 1.4% annually (in 2021, return to the pre-Covid-19 level of operations), and then as from 2027, an average decrease in gross profit from fuel sales of 3.8% annually. In accordance with the assessment, the recoverable amount exceeded the carrying amount, therefore a provision for impairment was not required.

F. For information about the impairment assessment of oil and gas assets and goodwill attributable to the sector of oil and gas assets in the North Sea and the sector of oil and gas assets in Israel and its surroundings, see Note 5 below.

NOTE 4 – INVESTMENT PROPERTY

As set out in Note 11C to the Annual Financial Statements, in March 2020, an agreement was signed between the Company and a third party whereby all of the Company's ownership rights to land in Haifa Bay, on which the third party’s plant is located and which was leased to the third party for 20 years, were sold for an amount of NIS 33 million, which is close to the carrying amount of the land shortly before the date of the sale.

NOTE 5 – INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION

The Group operates mainly through Delek Drilling - Limited Partnership (“Delek Drilling” or “the Partnership”) in a number of joint ventures for the exploration, development, and production of oil, natural gas, and condensate in the exclusive economic zone of Israel and Cyprus, and sells natural gas and condensate to a variety of customers. The Group also operates through Ithaca in oil and gas exploration and production in the North Sea. As from the beginning of 2018, the Group began to operate through a foreign subsidiary, Delek GOM Investments LLC (“Delek GOM”) for exploration, development, and production of oil and gas in the Gulf of Mexico in the United States.

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

A. Further to Notes 1A and 1B regarding the spread of Covid-19 and its possible effect on the Group's business, the Group assessed the recoverable amount of its oil and gas assets in Israel and the surroundings (separately or as a group of assets constituting a single cash-generating unit, as the case may be) as at March 31, 2020. The assessment of the recoverable amount was based on an estimated present value and sensitivity analyses of the expected cash flows from the Group's oil and gas assets (the “Assessment”). The Assessment was performed by an outside independent valuator who estimated the recoverable amount as at March 31, 2020 through the discounted cash flow, based on the projected cash flow from P2 reserves (proved reserves + probable reserves) from the Tamar reservoir as at December 31, 2019 and based on the projected cash flow from 2P + 2C reserves (best estimate contingent resources including 2P reserves) from the Leviathan reservoir as at December 31, 2019, published by the Company on January 10, 2020 and January 13, 2020, respectively (“the Cash Flow Forecasts”), with application of the adjustments to the data and assumptions used in the Cash Flow Forecasts.

NOTE 5 – INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION

A. (contd.)

The main adjustments included, among other things:

1. An updated forecast of the price of oil and gas, partially due to: (i) An update to the Brent oil price forecast based on the average of the Brent oil price forecasts of third parties, including the World Bank, the US Department of Energy, and the consulting company IHS Global Insight, which was published shortly before the Assessment date, for 2020-2030, and there increase at a rate of 2% per year as from 2030; (ii) the updated forecast for the energy production price, based, among other things, on the NIS-USD exchange rate and on the fuel price forecast based on the gas price for the IEC; (iii) the updated forecast for natural gas demand in the local market, based on the forecast for the demand of a third party for natural gas in the local market.

2. Reduction of annual sales quantities as described below, based on:

   - The updated demand forecast in the local market shortly before the assessment date

   - Reduction of sales quantities in the Dolphinus agreements (see Note 12K(1)(d) and Note12K(2)(e) to the Annual Financial Statements) to 50% of the annual contractual quantities in years in which the average daily Brent price is less than USD 50 per barrel

3. Adjustment of depreciation expenses for tax purposes to be used by a potential buyer

4. Use of the weighted average cost of capital (WACC) (after tax) of 10.2% in the Tamar reservoir and 8.45% in the royalties attributable to Cohen Development.

5. Use of the weighted average cost of capital (WACC) (after tax) of 11.2% in the Leviathan reservoir and 9.45% in the royalties attributable to the Company, Delek Energy, and Cohen Development.

The aggregate fair value of oil and gas assets in the Tamar project (22%), including the value of the royalties attributable to Cohen Development, less realization costs, was estimated at USD 1,342 million (NIS 4,784 million) as at March 31, 2020, and was lower than the carrying amount of the assets as at March 31 2020, which amounted to USD 1,358 million (NIS 4,841 million)) (investments in oil and gas assets less liabilities for disposal and other long-term assets related to the project). Accordingly, in the first quarter of 2020, there was impairment amounting to USD 16 million (NIS 57 million) in the assets, fully attributable to non-controlling interests.

The aggregate value in use of a unit that includes oil and gas assets in the Leviathan project (45.34%) and Cyprus, including the value in use of overriding royalties attributable to the Company, Delek Energy, and Cohen Development, amounted to USD 4,254 million (NIS 15,165 million) as at March 31, 2020, and is higher than the carrying amount of the assets at that date, which amounted to USD 3,787 million (NIS 13,501 million) - investments in oil and gas assets less liabilities for disposal and other long-term assets related to the project), therefore there was no impairment in the assets.

B. As at March 31, 2020, goodwill attributable to oil and gas exploration and production in Israel and the surrounding area amounted to NIS 468 million. Goodwill arose on acquisition of the shares of Cohen Development in December 2011 and gain of control in Avner Oil Exploration - Limited Partnership. In accordance with the valuation as set out in section A above, the value in use of the operating segment significantly exceeds the carrying amount, therefore no provision was required for goodwill impairment.

As at September 30, 2020, there were no indications of the need to reassess the recoverable amount of oil and gas assets in Israel and the surrounding area, also in view of the resources report as at June 30, 2020 for the Tamar and Leviathan reservoirs, as set out in this Note below.

NOTE 5 – INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION

C. Leviathan project

1. Further to Note 12D(3) to the Annual Financial Statements regarding the gradual increase in production capacity from the Leviathan project to up to 1,200 MMCF/d by means of operating the turbo expanders, it should be noted that on October 26, 2020, the Ministry of Energy approved the running-in of the turbo expanders, subject to certain conditions. As at the approval date of the financial statements, the total production capacity from the Leviathan project is 1,160 MMCF/d, and that in accordance with the Ministry of Energy’s approval, running-in of the turbo expanders is expected to begin in the fourth quarter of 2020. Noble Energy Mediterranean Ltd. ("Noble") believes that on completion of the running-in of the systems, they are expected to start operation in the first quarter of 2021, subject to the Ministry of Energy’s approval.

2. Construction of the condensate storage system at the Hagit site has been completed and once of all the permits required for its operation have been obtained, the storage system will be operated.

3. On November 10, 2020, maintenance on the Leviathan platform was completed as planned, after gas flow from the Leviathan platform had been suspended for five days.

4. Following assessments regarding the effect of the Covid-19 Crisis on the Partnership's business and its forecasts, in July 2020, Netherland Sewell & Associates Inc. (“NSAI”) submitted a report on the estimated reserves and contingent and prospective resources in the Leviathan leases, based on the guidelines of SPE-PRMS, updated as at June 30, 2020. According to the report, the total quantity of resources is estimated at 646.1 BCM and 40.9 million barrels, divided into categories of resources classified as reserves and resources classified as contingent.

   The quantity of proved developed producing reserves is 322.2 BCM and the quantity of reserves classified as proved + probable reserves is 376.1 BCM.

   In addition, the quantity of proved developed producing condensate reserves is 20.4 million barrels and the quantity of reserves classified as proved + probable reserves is 23.9 million barrels.

   The contingent resources report divides the contingent resources into two categories, referring to each of the reservoir development stages, as follows:

   Phase 1A (Phase I - First Stage): contingent resources classified as development pending are contingent on decisions regarding additional drilling, construction of related infrastructure, and additional agreements for the sale of natural gas.

   Future developments are resources contingent on the FID, according to Phase 1B of the development plan and an additional phase (if the development plan is revised), and additional agreements for the sale of natural gas between 379.6 BCM (high estimate) and 155.6 (low estimate) and contingent condensate reserves are between 24.1 million barrels (high estimate) and 9.9 million barrels (low estimate). For information about the uncertainty of the estimated reserves, see section W below.

NOTE 5 – INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (CONTD.)

D. Tamar project

1. Following assessments regarding the effect of the Covid-19 Crisis on the Partnership's business and its forecasts, in July 2020, Netherland Sewell & Associates Inc. submitted a submitted a report on the estimated reserves and contingent and prospective resources in the Tamar lease, based on the guidelines of SPE-PRMS, updated as at June 30, 2020.

   According to this reserves report, the natural gas reserves in the Tamar project (which includes the Tamar reservoir and the Tamar SW reservoir), which are classified as on production reserves, as at June 30, 2020, and classified as proved reserves, are 223.6 BCM (of which, 10% is attributable to Tamar SW) and the quantity of reserves classified as proved + probable reserves is 301.7 BCM (of which, 9% is attributable to Tamar SW).

   In accordance with this report, the condensate reserves in the Tamar and Tamar SW reservoirs, classified as approved for production, as at June 30, 2020, which are classified as proved reserves, amount to 10.2 million barrels (of which, 9.8% is attributable to Tamar SW) and the reserves classified as million proved + probable reserves amount to 13.8 million barrels (of which, 8.7 % is attributable to Tamar SW). The above reserves do not include the reserves migrating to the Eran license. For information about the uncertainty of the estimated reserves, see section W below.

2. The Ministry of Environmental Protection issued the air emission permit for the Tamar platform on August 31, 2020, and it came into effect. It should be noted that Noble and the Ministry of Environmental Protection are discussing some of the conditions set out in the permit.

3. On October 30, 2020, the Ministry of Environmental Protection issued a draft update to the existing emission permit for the Ashdod Onshore Terminal used by the Tamar reservoir, valid until December 31, 2021, with the aim of regulating all the operations at the facility. It should be noted that, at the same time, an application for a new emission permit for the facility was submitted.

E. On completion of installation and running-in of the compressors at the EAPC site in Ashkelon, in July 2020, gas started to flow from the Tamar reservoir to Egypt and the flow capacity in the EMG pipeline increased, through the infrastructure of the existing transmission system of Israel Natural Gas Lines Ltd. ("INGL").

F. Further to Note 12M(3) to the Annual Financial Statements, regarding financing of projects for export through the Israeli transmission system and distribution of construction costs of the combined Ashdod-Ashkelon segment, it should be noted that on June 23, 2020, the Director General of the Natural Gas Authority announced that he had set the estimated cost of the segment at a total of NIS 738 million (of which the Partnership's share is estimated at NIS 159 million). In addition, the exporter will pay the holder of the transmission license an amount of NIS 27 million, against its share in the cost arising from bringing forward the doubling of certain transmission sections, estimated at NIS 48 million. Such costs will be adjusted in accordance with the mechanism for updating and accounting between the parties, which will be incorporated in the transmission agreement and will be submitted for approval. Accordingly, the Partnership is required to provide a guarantee of USD 46 million.
As at the approval date of the financial statements, the Tamar partners and the Leviathan partners are negotiating with INGL for a transmission agreement for the full amounts of natural gas under the agreements for export to Egypt. It should be clarified that there is no certainty that such negotiations will be consolidated into a binding transmission agreement and that as at the approval date of the financial statements, in view of the prolonged negotiations, the Tamar and Leviathan partners are considering various alternatives that will allow supply to Egypt of the full quantities of natural gas that are required under the export agreements, and mainly direct connection from the production platform of Leviathan to the EMG system.

G. On October 5, 2020, Chevron Corporation ("Chevron") announced the completion of the merger, according to which Noble Energy International Inc., the parent company of Noble, is a wholly owned company of Chevron.

NOTE 5 – INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (CONTD.)

H. Further to Note 12K(1)(c)(2) to the Annual Financial Statements regarding the amendments that were proposed by the Partnership and some of the Tamar partners to Israel Electric Corporation Ltd. ("the IEC") in 2019, on April 13, 2020, representatives of the Ministry of Energy, the Economic Department of Legislation Advice at the Ministry of Justice, the Ministry of Finance, and the Competition Authority ("the Regulators") announced, among other things, that the Tamar partners were given a short period to amend the arrangements between them so as to ensure that the Partnership, Noble, and Isramco Negev 2 Limited Partnership do not hold a right to veto decisions on the marketing of natural gas from the Tamar reservoir.

On May 27, 2020, the partners in the Tamar project submitted an agreed outline of principles for joint marketing from the Tamar reservoir ("the Outline of Principles"), according to which the partners in the Tamar reservoir will continue the joint marketing of natural gas from the Tamar reservoir. The Outline of Principles includes various arrangements and mechanisms to ensure the rights of the parties and to improve the competitive position of the Tamar reservoir in the marketing of natural gas to customers in the local market. These arrangements and mechanisms establish, among other things, the method and parameters for negotiating with customers in the local market for certain commercial matters relating to price, price linkage, and take or pay levels that are standard in the local market, without the participation of the partners in the reservoir that hold other oil-producing assets, as well as the parameters and conditions for agreements with customers in the local market in agreements for the sale of natural gas.

Subsequently, the Tamar's partners held discussions, among themselves and with the regulators, regarding the update of the Outline of Principles. Meanwhile, on September 6, 2020, a notice was received from the Competition Authority, according to which, among other things, the Partnership's right and power to prevent the other holders of the Tamar reservoir from making decisions or taking actions for the marketing of gas from the Tamar reservoir contrary to the terms and conditions of the "decision under section 14 of the Restrictive Trade Practices Law, 1988 regarding the exemption from a restrictive arrangement – agreement between Delek Group and Isramco Negev 2, Noble Energy, and others" of August 22, 2006, is a violation of the provisions of Section 4 of the Economic Competition Law, 1988, and therefore the Partnership is required to act within one month to nullify its veto right. Until the veto right is nullified, the Partnership may hold its rights as they were to date and make new contracts, however, when negotiating for contracts in this period, the Partnership will not exercise its veto right alone. To the best of the Partnership's knowledge, a similar notice was also received by Isramco Negev 2. The opinion of the Deputy Attorney General (Economic Law) was also released, regarding Noble's veto right in the Tamar reservoir, according to which each one of the holders of the Tamar reservoir holds a veto right, including Noble, which is entitled to hold such veto right until the holdings in the Tamar reservoir are sold to a third party that is not affiliated with the Partnership or Noble, or until December 17, 2021, whichever is earlier.

It should be noted that on October 13, 2020, the Partnership notified the Competition Authority, as follows:

1. The Partnership will not object alone to decisions or acts regarding the marketing of natural gas to be produced from Tamar. The Partnership, in its own independent decision, will be able to join, ad hoc, a consent or refusal of one of the partners with respect to a decision or act in the Tamar project, provided that such joining is not made under a framework agreement, an agreed collaboration, or for consideration. It is further clarified that the Partnership will not be able to join a demand of a Tamar partner to receive a price which is higher than the other partners for marketing its share in Tamar.
2. The Partnership will not be able to demand or receive compensation (in advance or retroactively) for its consent to a decision or act for the marketing or gas, whether the demand is made by the Partnership or by another party. Even if there is a decision, in the context of which a partner receives compensation, the Partnership will neither be able to demand such compensation, nor condition its consent to an act or decision by demanding such compensation.

NOTE 5 – INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (CONTD.)

H. (contd.)
It should be noted that the Partnership, as well as each one of the partners in the Tamar reservoir, has the right, under the Joint Operation Agreement (JOA), to notify the other partners, at any time, that it seeks to switch to a mechanism of separate marketing of natural gas from the reservoir. In view of the above, the Partnership applied to the other partners with a request to start, as soon as practicable, discussions for formulating principles for separate marketing of natural gas from the Tamar reservoir, in accordance with the mechanisms set out in the JOA. As at the approval date of the financial statements, the Tamar partners have not yet reached agreements on the matter.

Meanwhile, on October 4, 2020, some of the Tamar partners notified the Partnership and Noble that they had signed an addendum to the agreement for the supply of natural gas from the Tamar reservoir to the IEC ("the Addendum to the Tamar Agreement" or "the Agreement") and that the Partnership and Noble are given the option of joining the Addendum to the Tamar Agreement within 60 days from the date of its signing. It should be clarified that the Partnership's position, based on the opinion of its legal counsel, is that the agreement does not constitute an addendum to or part of the agreement for the supply of natural gas from the Tamar reservoir to the IEC, but a new agreement that is in violation of the agreement for the supply of natural gas from the Leviathan reservoir to the IEC. Accordingly, the Partnership and Noble notified the other partners that they will not join the agreement. It should be noted that as at the approval date of the financial statements, the Partnership's position, based on the opinion of its legal counsel, is that the IEC is operating in violation of the agreement for the supply of natural gas from the Leviathan reservoir to the IEC.
It should be noted that the Partnership is assessing legal and commercial options regarding the agreement, and their possible effect. As at the approval date of the financial statements, the parties have not yet reached agreements on the matter. In this context, it should be noted that on October 22, 2020, the Partnership received a demand from the Competition Authority for information and documents in connection with the agreement.

I. As set out in Note 12L(6) to the Annual Financial Statements, on February 9, 2020, the Ministry of Energy released, for public comment, draft 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. In June 2020, the Natural Resources Administration at the Ministry of Energy published the final version of the directives. In addition, in September 2020, the Natural Resources Administration at the Ministry of Energy released specific directives for calculation of the value of the royalty at the wellhead in the Tamar project ("the Specific Directives"), which determined the rate of the deductible expenses when calculating the royalty value at the wellhead in the Tamar reservoir. Based on estimates and assessments by the Tamar Partners, there are no material discrepancies between the amounts recognized as royalty expenses in the statement of comprehensive income in the reporting period, and the royalty expenses calculated in accordance with the Individual Provisions. It should be clarified that there are significant discrepancies between the cumulative royalties actually paid to the Ministry of Energy since production started from the Tamar project and the amounts recognized as royalty expenses in the statement of comprehensive income. As at the approval date of the financial statements, the Specific Directives for the Leviathan lease have not yet been delivered.

NOTE 5 – INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (CONTD.)

J. Rights in the I/17 Karish and I/16 Tanin leases

1. Further to Note 12G to the Annual Financial Statements regarding the agreement for the sale of rights in the I/17 Karish and I/16 Tanin leases(jointly: “the Leases”), in April 2020, Energean, which hold the leases, released an update on the resources attributable to the Karish North reservoir in the area of the 1/17 Karish lease, according to which the Karish North well has best estimate natural gas resources of 33.7 BCM and 39.4 million barrels of hydrocarbons.

   In this context, it should be noted that in April 2020, Energean and the Partnership exchanged letters about the Partnership’s rights to royalties from the Leases. According to Energean, among other things, its obligation to pay royalties does not apply to hydrocarbons from the Karish North reservoir, and, in addition, not all the liquid hydrocarbons that will be produced from the Leviathan lease meet the definition of condensate under the agreement for the sale of the Partnership’s rights in the Leases. The Group's position, based on the opinion of its advisors, is that under the agreement for the sale of the Partnership’s rights in the leases, the royalty documents, and the registration in the Oil Register, Energean's obligation to pay royalties applies to natural gas and condensate produced from the leases, including the Karish North reservoir, and that all the liquid hydrocarbons that will be produced from the leases constitute condensate as defined in the agreement.

   The section on financing income in the reporting period includes an amount of NIS 60 million, on the Partnership level, arising from revaluation of the royalty from the leases. The revaluation is mainly due to the net effect of changes in the discount rate, update of contingent resources and liquid hydrocarbons and the revised price forecast, and postponement of production from the Karish lease to the first quarter of 2022. In the reporting period, the total effect on the profit attributable to the Company’s shareholders after income taxes amounted to a profit (appreciation) of NIS 26 million.

   Below are the main parameters of the valuations used to measure the Royalties and annual payments: The capitalization rate for the annual payments is estimated at 7.5%; the capitalization rate for the royalty component is estimated at 12%; the total contingent resources of natural gas and hydrocarbon liquids used for the valuation to measure the royalties were estimated at 98.5 BCM and 82 MMbbl, respectively, and the production rate forecast.

   On November 10, 2020, Energean released an update on the volume of resources attributed to the Karish, Tanin and Karish North reservoirs (in this section "the Reservoirs"), reclassifying contingent resources (2C) as reserves (2P), such that the Reservoirs have natural gas reserves (2P) of 98.2 BCM and hydrocarbon liquids of 99.6 million barrels (compared with natural gas resources (2P+2C) of 98.6 BCM and hydrocarbon liquids of 82 million barrels, as announced by Energean in April 2020). Energean also announced that the development plan for the Karish North reservoir has been approved by the Ministry of Energy, a final investment decision for development of the Karish North reservoir is expected to be adopted in the fourth quarter of 2020, and production from the Karish North reservoir is expected to start in 2023. Energean stated that the FPSO will reach maximum production capacity (8 BCM per year) at the end of 2023. Energean also released the volume of prospective resources in the area of the licenses it holds in Israel's EEZ, including in the Karish and Tanin reservoirs. The Partnership is reviewing the implications of the announcement through its professional advisors.

2. On July 8, 2020, the transaction was completed under which the Company and Delek Energy Systems Ltd. (a wholly-owned subsidiary of the Company) (“Delek Energy”) (“the Buyer”) sold all the rights of the Company and Delek Energy to overriding royalties for the Karish and Leviathan Leases to a third party (not including the royalty rights of the Partnership and Cohen Development), for a consideration of NIS 318 million. The consideration is distributed between the Company and Delek Energy in accordance with their holding of the right to overriding royalties (25%, the Company; 75%, Delek Energy). As a result, in the third quarter of 2020, the Group included a loss of NIS 44 million (after tax).

NOTE 5 – INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (CONTD.)

K. Issue of Leviathan Bond debentures

On August 18, 2020, the procedure was completed for issuing debentures offered by Delek Leviathan Bond Ltd. ("the Issuer"), a special purpose company ("SPC") held in full by the Partnership, according to which debentures were issued in a total amount of USD 2.25 billion, which were issued in accordance with Rule 144A and Regulation S.
The debentures were issued in four series ("the Series"), as follows:

1) Debentures in a total amount of USD 500 million par value, repayable on June 30, 2023 (in one payment), bearing interest at a fixed annual rate of 5.750%;
2) Debentures in a total amount of USD 600 million par value, repayable on June 30, 2025 (in one payment), bearing interest at a fixed annual rate of 6.125%;
3) Debentures in a total amount of USD 600 million par value, repayable on June 30, 2027 (in one payment), bearing interest at a fixed annual rate of 6.500%;
4) Debentures in a total amount of USD 550 million par value, repayable on Sunday, June 30, 2030 (in one payment), bearing interest at a fixed annual rate of 6.750%;

The principal and interest of the debentures are in USD. The interest on the debentures of each of the Series will be paid twice a year, on June 30 and December 30.
On August 3, 2020, the Issuer received the approval of the Tel Aviv Stock Exchange Ltd. to list the debentures for on the TACT-Institutional system of the TASE.

The full consideration for the issue was provided by the Issuer as a loan to the Partnership at the same terms as the terms of the debentures (back-to-back), and in accordance with a loan agreement signed between the Issuer and the Partnership ("the Loan"). The Loan funds were used by the Partnership to repay bank loans in the amount of USD 2 billion, deposit a security cushion in the amount of USD 100 million in accordance with the terms of the debentures, payment of issuance costs estimated at USD 30 million, and the balance will be used for other uses in accordance with the terms of the approval of the Commissioner of Petroleum Affairs as described below ("the Commissioner's Approval").

To secure the debentures and the loans, under the deed of trust for the debentures and the other documents according to which the debentures were issued (jointly below: "the Financing Documents"), the Partnership undertook to pledge in favor of the debenture trustee ("the Trustee") in a first fixed lien, its rights in the Leviathan project (45.34%), including its rights in the I/14 Leviathan South and I/15 Leviathan North leases ("the Leases"), the operating approvals of the production system, and the export approvals (jointly below: "the Pledge of the Leases"), the Partnership's rights and revenues from agreements for the sale of the gas and condensate from the Leviathan project ("the Gas Agreements"), the Partnership's rights in the joint operating agreement ("the JOA") for the Leases, the Partnership's share in the project assets (including the platform, wells, facilities, production system, and system for transmission to the shore), the Partnership's rights in dedicated bank accounts, certain insurance policies, and various licenses in connection with the Leviathan project. The Partnership will also pledge the shares held by it in the Issuer, in NBL Jordan Marketing Limited, and in Leviathan Transportation System Ltd.

In addition, the Issuer undertook to pledge its rights in all of its existing and future assets, in a first floating lien, in favor of the Trustee, and will pledge its rights in the loan agreement and in its bank accounts in favor of the Trustee (jointly below: "the Pledges" and "the Pledged Assets", as the case may be.

According to the Financing Documents, the Partnership's undertakings to the Trustee and the debenture holders are limited to the Pledged Assets, with no guarantee or additional collateral.

It should be noted that the Pledges that the Partnership will create in favor of the Trustee are subject, among other things, to the State's royalties according to the Petroleum Law and to the rights of the parties entitled to royalties for the Partnership's revenues from the Leviathan project, including the Group companies.

NOTE 5 – INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (CONTD.)

K. Issue of Leviathan Bond debentures (contd.)

As is standard in financing transactions of this type, under the Financing Documents, the Partnership assumed stipulations, restrictions, covenants, and grounds for calling for immediate repayment of the debentures and exercising the pledges. These include, among other things, the following main commitments:

- The Partnership and the Issuer, as the case may be, undertook, among other things, to fulfill the undertakings and conditions set out in government approvals and licenses, including in relation to the project operator, and including the terms of the Commissioner's approval; to fulfill the terms of the Leases and the JOA (jointly below: "the Leviathan Agreements"); to protect their rights in the Pledged Assets and ensure the validity of the Pledges and the rights of the Trustee and the debenture holders thereunder; not to change or discontinue the Issuer's activity, and not to change the Issuer's articles of association; not to create additional pledges on the Pledged Assets (other than certain exceptions); to comply with the provisions of the law that apply to their activities; to pay the taxes that apply to them; to give the Trustee and the debenture holders certain notices, information and reports that were specified; to act to maintain the listing of the debentures on the TACT-Institutional system; to act to ensure the continued proper operation of the Leviathan project in accordance with the Leviathan Agreements; to take any action possible under the JOA to ensure that the operator fulfills its undertakings under the JOA; to make all of the payments that apply to them and to bear all of the Trustee's expenses that apply to them under the Financing Documents; to purchase and maintain certain insurance policies; to refrain from modifying or amending the Leviathan Agreements or material gas agreements, as set out in the Financing Documents ("the Material Gas Agreements"), or the royalty agreements or engage in a new royalty agreement; and to refrain from approval of certain acts under the JOA.

- The Issuer undertook not to assume any additional financial debt, other than the issue of additional debentures or other secured debt of an equal level, subject to the conditions that were set out, including (i) the amount of the secured debt of the Issuer (including the debentures) will not exceed USD 2.5 billion at any time; (ii) certain financial ratios set out in the Financing Documents are maintained. In addition, the Partnership undertook not to assume any additional financial debt secured by the Pledged Assets, other than an additional loan to be received from the Issuer back-to-back to additional debt to be raised by the Issuer subject to the restrictions set out in the Financing Documents.

- The Partnership undertook not to perform a merger transaction or change its operations in a manner that is likely to cause a material adverse effect, or to introduce dissolution proceedings or other defined restructuring, and not to sell, transfer, pledge, or otherwise dispose of any or all of its assets, other than permitted transactions as defined in the Financing Documents, including the sale of rights in the Leviathan project subject to mandatory early redemption or a tender offer to the debenture holders in certain cases, or permitted restructuring, as defined, including a transfer of the Partnership's rights in the Leviathan project to a new subsidiary and/or other actions, including the outline under consideration for a split of the Partnership's assets, provided that the rights of the holders are not impaired by such actions and additional terms as defined.

In addition, provisions were set out regarding early redemption of the debentures, including, (1) early redemption initiated by the Issuer, subject to payment of a make whole premium; (2) mandatory early redemption in certain defined cases, including by way of buyback of the debentures and/or a tender offer for all the debenture holders, including upon the sale of all or part of the rights in the Leviathan project.

NOTE 5 – INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (CONTD.)

K. Issue of Leviathan Bond debentures (contd.)

The Issuer and the Partnership undertook that if withholding tax applies to the amounts payable to a foreign resident, in accordance with the debenture terms, then, subject to certain exceptions that were defined, the Issuer and/or the Partnership, as the case may be, will pay additional amounts as required so that the foreign resident will receive the same net amount as the amounts that the foreign resident would have received, had no withholding tax been required. In this context, it should be noted that on July 27, 2020, the Partnership received approval from the Tax Authority that, among other things, the debentures that will be traded on the TACT-Institutional system of the TASE are debentures that are traded on the stock exchange in Israel for the purpose of section 9(15D) of the Income Tax Ordinance (for an exemption from tax on interest paid to a foreign resident on debentures traded on the TASE) and section 97(B2) of the Ordinance (for an exemption from tax for a foreign resident on capital gains in the sale of debentures traded on the TASE), subject to the terms set out in the Tax Authority's approval and the provisions of the Income Tax Ordinance and the related regulations.

The Financing Documents include a waterfall payment mechanism, according to which the entire proceeds of the Partnership from the Leviathan project are transferred to an account pledged in favor of the Trustee("the Revenues Account"), which is used for various payments related to the project and the debentures, including payment of royalties to the State and to the royalty holders; payments to the Trustee; taxes and the levy under the Taxation of Profits from Natural Resources Law, 2011 (in this section: "the Law"); capital investments and operating expenses related to the Leviathan project; principal and interest payments; deposits for safety cushions; and balancing payments related to tax payments under section 19 of the Law. The transfer of the amounts remaining in the Revenues Account after the payments to a non-pledged account of the Partnership is subject to the conditions that were set out, including the fulfillment of an NPV coverage ratio of at least 1.5.
The Financing Documents defined events of default, which if they occur, subject to certain cure periods that were defined, qualifications, and terms, the trustee for the debentures will be entitled (and in the case of a demand of one quarter of the debenture holders, will be obligated) to call for immediate repayment of the unpaid balance of the debentures and may act to exercise the pledges. The main events are as follows: (1) default on payment of principal, interest or other payments required under the Financing Documents; (2) breach of representations; (3) breach of the covenants or negative covenants defined in the Financing Documents; (4) an event or introduction of insolvency proceedings of the Issuer, and an insolvency event as aforesaid or of a party to a Material Gas Agreement (as defined in the Financing Documents), the operator in the Leviathan project or the Partnership, if it is likely to cause a material adverse effect (as defined in the agreement) subject to certain conditions and qualifications; (5) premature termination of any of the Leviathan agreements or a Material Gas Agreement, if it is likely to cause a material adverse effect, subject to certain conditions and qualifications; (6) if a party to a Material Gas Agreement breaches the agreement and it is likely to cause a material adverse effect, subject to certain conditions and qualifications; (7) in the event of abandonment or suspension of operations at the Leviathan project for more than 15 consecutive days, if it is likely to cause a material adverse effect; (8) if damage is caused to the Leviathan project (including physical damage, revocation of a license or transfer of the Partnership's rights in the project by a government entity), which is likely to cause a material adverse effect, which was not remedied; (9) in the event of denial or revocation of government approval related to the Leviathan project, which is likely to cause a material adverse effect; (10) If any of the Financing Documents to which the Issuer or the Partnership are a party, or pledges provided under the Financing Agreements, with an aggregate value of more than USD 35 million, cease to be in effect; (11) if a non-appealable judgment is handed down against the Issuer for payment of an amount of more than USD 35 million, which was not paid; (12) if there is a breach of an undertaking in an agreement for providing other pari passu secured debt of the Issuer with a value of more than USD 35 million; (13) if an undertaking to perform mandatory early redemption is breached; (14) if the provisions for expenses from the Revenues Account are breached.
The debentures were rated by international rating agencies and an Israeli rating agency.

On August 3, 2020, approval from the Commissioner of Petroleum Affairs was received for the pledge of the Leases in favor of the Trustee, for the debenture holders. According to the Commissioner's approval, among other things, the pledge is provided to secure repayment of the Debentures, the proceeds of which are intended for providing credit to the Partnership in the total amount of up to USD 2.5 billion, to repay bank loans amounting to USD 2 billion, deposit a safety cushion in the amount of USD 100 million, investments in the Leviathan project alone, and the financing of the construction of a pipeline for the export of gas from the Leviathan and Tamar reservoirs.

NOTE 5 – INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (CONTD.)

K. Issue of Leviathan Bond debentures (contd.)

L. On July 15, 2020, Delek Drilling made partial early repayment of the third series of Tamar Bond debentures, in the total amount of USD 240 million ("the Amount of the Principal"), the original repayment date of which was December 30, 2020. The amount of the early repayment includes the Amount of the Principal, plus accrued interest amounting to USD 0.4 million and plus an early repayment fee, estimated at USD 4.2 million as at the date of the announcement ("the Early Repayment Fee").
It is noted that the amount of the Early Repayment Fee is lower than the interest, which the issuer of the debentures, Delek and Avner (Tamar Bond) Ltd., would have paid if the third series of the Tel Bond debentures had been repaid at its original date.

M. On July 26, 2020, the board of directors of the general partner approved a buy-back plan for Debentures (Series A) and Delek and Avner Tamar Bond debentures amounting to up to USD 50 million. It should be noted that the buy-back plan for the debentures complies with the provisions of the Partnership's deed of trust, and that the approval of the plan does not constitute a breach of the Partnership's obligations to the debenture holders. It should be clarified that the board of directors of the general partner determined that the buy-back plan of the debentures will be implemented subject to completion of the refinancing procedure of loans provided to the Partnership, among other things, to finance the Leviathan project (which was completed on August 18, 2020) and that the decision does not require the Partnership to purchase the debentures, or any part of them, and that the management of the Partnership may decide not to purchase debentures at all and/or to purchase debentures to a lower extent than approved.

On November 17, 2020, the board of directors of the Partnership's general partner approved a plan for the acquisition of Debentures (Series A) at a total estimated cost of up to USD 30 million. The purchases will be made from time to time in the period between November 19, 2020 and December 31, 2020, in on- or off-floor transactions. It is noted that this plan will replace the above buyback plan.

N. Issuance of debentures by Delek Overriding Royalty Leviathan Ltd.

On October 28, 2020, Delek Overriding Royalty Leviathan Ltd., a subsidiary of Delek Energy, completed of the issuance of debentures to foreign and Israeli classified investors ("the Issuer", "the Debentures", and "the Issuance", respectively), which was secured by a lien on the rights to overriding royalties from the Leviathan project that were transferred to the Issuer ("the Leviathan Overriding Royalty").

1. The Debentures were issued in a single series in a total amount of USD 180 million par value, repayable on December 30, 2023 (in a single payment) and bearing fixed annual USD interest rate of 7.494%. The interest on the Debentures will be paid twice a year, on June 30 and December 30.

2. Under the transaction outline, the rights of the Company (25%) and Delek Energy (75%) in the Leviathan Overriding Royalty and the rights attached to the royalty were transferred to the Issuer on the transaction closing date ("the Closing Date") and were pledged in favor of the trustee of the Debentures in the Issuance ("the Issuance Trustee"), to secure repayment of the Debentures, under the terms of the deed of trust and the other documents under which the Debentures were issued (jointly: "the Issuance Documents"). In addition, the Issuer pledged in favor of the Issuance Trustee the rights attached to the royalty and rights in some of the bank accounts and insurance policies (jointly: "the Pledges").

NOTE 5 – INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (CONTD.)

N. Issuance of debentures by Delek Overriding Royalty Leviathan Ltd. (contd.)

3. The full proceeds of the Issuance, less a security cushion in the amount of USD 21 million to secure interest payments, which will be held in an account pledged in favor of the Issuance Trustee, and the issuance and underwriting costs estimated at USD 8 million (it should be noted that in addition to this amount, the transferors will bear issuance and underwriting costs amounting to USD 3.6 million) were deposited on the Closing Date in the account of the trustees of the Company's debenture holders and will be used for upcoming payments to the debenture holders, in accordance with the provisions of section 6.1.5 to the amendment to the deed of trust valid as from June 17, 2020.

4. The Debentures are rated B+ on the international rating scale of Fitch rating agency.

5. On October 22, 2020, the Commissioner of Petroleum Affairs approved the transfer of the Leviathan Overriding Royalty to the Issuer and the pledge of the royalty in favor of the Issuance Trustee.

6. On October 20, 2020, the Issuer received approval from the Tel Aviv Stock Exchange Ltd. ("the TASE") to list the debentures on the TACT-Institutional System of the TASE, and they were listed for trading.

7. On October 15, 2020, the Issuer received a tax ruling from the Israel Tax Authority for issuance of the debentures, confirming that the debentures listed on the TACT Institutional System will be considered debentures traded on the TASE for the purposes of sections 9(15D) and 97(B2) of the Income Tax Ordinance, subject to certain conditions set out in the ruling.

8. As is standard in financing transactions of this type, the Issuance Documents included covenants, restrictions, undertakings, and grounds to call for immediate repayment of the debentures and exercise the pledges.
   It should be emphasized that the information set out below represents a partial and incomplete summary of the relevant provisions in the Issuance Documents and that the Issuance Documents include details of the various undertakings and grounds, restrictions subject to the occurrence of a material adverse effect (“MAE”) on the Issuer (as defined in the Issuance Documents), as well as exceptions, additional terms, or cure periods that are not included in the description below.

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

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

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

NOTE 5 – INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (CONTD.)

N. Issuance of debentures by Delek Overriding Royalty Leviathan Ltd. (contd.)

8. (contd.)

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

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

   F. Provisions have been stipulated for a safety cushion for the interest payments, and the Issuer has undertaken to comply with the covenant of an interest coverage ratio, as defined in the documents, such that this ratio will not be less than 1.2 (as at the approval date of the financial statements, the ratio for 2021 is expected to be 2.19).

9. On October 28, 3030, the securitization was completed and on the Closing Date, all receipts for the Issuance were deposited, including the total consideration for the Issuance, net of a safety cushion for interest payment, and issue and underwriting expenses, directly to a designated trust account of the trustee of the Company's debenture holders, and this amount was used for repayment of the debentures in November 2020 and will be used for additional repayments of debentures, in accordance with the provisions of the amendment to the deed of trust.

NOTE 5 – INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (CONTD.)

O. Further to Note 12P(2) to the Annual Financial Statements, on July 13, 2020, the Partnership announced that the Partnership and the general partner had filed an originating motion at the Tel Aviv District Court, petitioning the court, among other things, to determine the appropriate balancing arrangements between the individuals and corporations holding participation units of the Partnership, in view of tax payments that the Partnership is required to make under section 19 of the Taxation of Profits from Natural Resources Law, 2011, including: (A) tax payments insofar as they arise due to a discrepancy between the Partnership's estimate of the taxable income towards the end of the tax year and the independent assessment filed by the Partnership; and/or tax payments insofar as they arise from a discrepancy between the independent assessment filed by the Partnership and the final tax assessment that will be issued to it ("the Assessment Discrepancies"); (B) tax payments made for the 2015-2016 tax years ("the Past Periods"); this is given that the party holding the participating unit on the record date for a tax year in past periods may no longer hold it until it becomes clear (if at all) that the Partnership is required to pay additional tax for that tax year (or vice versa) and given the difference in tax rates applicable to individuals and corporations.

As part of the originating motion, the court was presented with various possible alternatives to the arrangements in respect of the tax payments for the assessment differences and for the past periods, in order to decide on the appropriate arrangements as aforesaid. The respondents in the originating motion are the holders of the Partnership's participating units at the dates relevant to the originating motion, and the supervisor of the Partnership, who requested to join as a respondent in the originating motion so that he can present an independent position on his behalf. In addition to the originating motion, the Partnership and the general partner filed a motion with the court to permit an alternative serving of papers for holders of the Partnership's participating units by way of a public notice, which, if accepted, it will also allow each holder of the Partnership's participating units at the dates relevant to the originating motion (including all current holders of the Partnership's participating units) to join as a party to the proceeding. On July 14, 2020, the court decided to submit the request to the Partnership's supervisor, the Israel Securities Authority and the Commissioner of the Capital Market for their reference. On October 18, 2020, the court approved, among other things, the petitioners' motion for a substitute service of process, and the filing of the Attorney General's position on the originating motion within 30 days. In addition, on November 8, 2020, the court extended the last date for filing responses until November 23, 2020. The court also ordered that the originating motion will be heard together with the originating motion filed by the Isramco Negev 2 partnership on the same issue. In this context, it should be noted that further to the publication of the draft Income Tax Regulations (Rules for Calculation of Tax on the Holding and Sale of Participating Units in an Oil Exploration Partnership) (Amendment), 2020, for public comment (see section R below), the Partnership is assessing the effect of the draft regulations on the originating motion.

P. In view of the disputes between the Partnership and the Tax Authority and the disagreements regarding the taxable amount of the revenue of Delek Drilling for 2017, on July 23, 2020, a best judgment assessment was received from the Tax Authority under section 145(A)(2)(b) of the Income Tax Ordinance, 1961 ("the Tax Assessment" and "the Ordinance", respectively), according to which, the taxable income of the Partnership for 2017 is USD 369 million (instead of USD 218 million, as included in the tax returns of the Partnerships that were filed with the Tax Authority) and the capital gain of the Partnership and Avner Partnership for 2017 is USD 663 million (instead of USD 544 million, as included in the tax returns of the Partnership that were filed with the Tax Authority).

Most of the disputes refer to the interpretation of the method for recognizing financing expenses and other expenses incurred by the Partnership, including charging financing income arising from exchange rate differences to an asset under construction, the implementation method for section 20(B) of the Natural Resources Profit Taxation Law, 2011 regarding deduction of depreciation expenses, and the calculation method for capital gain from the sale of 9.25% (out of 100%) of the rights in the Tamar and Dalit leases.

NOTE 5 – INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (CONTD.)

P. (contd.)
As at the approval date of the financial statements and according to the tax assessment, and if all the claims of the Tax Authority are accepted, the Partnership will be required to pay an additional tax payment (including interest and linkage differences) at the expense of the holders of the participating units in the Partnership, in the amount of USD 89 million.

It should be noted that, in view of the above, there may be a delay in the issuance of a final tax certificate to the eligible holder for the holding of the participating unit of Delek Drilling for the 2017 tax year, until the completion of the proceedings required to determine the final assessment.

Delek Drilling believes, based on the opinion of its legal counsel, that it is more likely than not that most of the Partnership's claims will be accepted, therefore it intends to file an objection to the tax assessments and to exhaust the administrative and legal procedures available to it.

Q. On July 30, 2020, Delek Drilling and Avner Oil Exploration Limited Partnership (“the Partnerships”) were issued tax assessments under section 152(B) of the Ordinance (“the Orders”). The dispute is mainly about the interpretation of the method for recognizing financing and other expenses that the Partnerships actually covered and the calculation method for the capital gain from the sale of the Karish and Tanin leases. According to the assessments in the order, and if all the claims of the Tax Authority are accepted, the Partnership will be required to pay an additional tax payment (including interest and linkage differences) at the expense of the tax owed by the holders of the participating units in the Partnership, in the amount of USD 42.8. million each. On September 15, 2020, the Partnership filed an appeal. In accordance with the court ruling, the last date for filing the notice stating the grounds for the assessment by the assessment officer will be March 1, 2021.

Accordingly, there may be a delay in the issuance of a final tax certificate to the eligible holder for the holding of the participating units of the Partnerships for the 2016 tax year, until the completion of the proceedings required to determine the final assessment. Delek Drilling believes, based on the opinion of its legal counsel, that it is more likely than not that the most of Delek Drilling’s claims will be accepted.

R. Subsequent to the balance sheet date, in October 2020, the draft Income Tax Regulations (Rules for Calculation of Tax on the Holding and Sale of Participating Units in an Oil Exploration Partnership) (Amendment), 2020,was published for public comment (“the Draft Regulations”).
Under the Draft Regulations, it is proposed to determine, among other things, that as from the tax year 2021, an oil partnership whose units are listed on the TASE will be taxed as a company, using the two-stage method, starting from the tax year in which it generated taxable income or distributed profits.
As at the publication date of the financial statements, the Partnership is assessing the possible implications of the Draft Regulations on its operations. In accordance with the Partnership’s initial assessment based on the data as at the reporting date, the approval of the Draft Regulations in its current format, may create, among other things, a one-time accounting obligation to record a reserve for deferred taxes in the amount of USD 240 million (out of total equity of USD 1,007 million as at September 30, 2020), which will affect the Partnership’s results and reduce its distributable profits, and subsequently, to record current and deferred tax expenses on an ongoing basis. On November 4, 2020, the Partnership submitted its comments on the Draft Regulations to the Tax Authority.
It should be noted that the above is not expected to have a material effect on the Company's financial statements, since the Company usually records deferred taxes on its share in the results of the Partnership.

S. Further to Notes 12(K)(1)(d) and 12(K)(2)(e) to the Annual Financial Statements, regarding the option granted to Dolphinus Holdings Limited to reduce the take or pay quantity under the circumstances described in the Notes, on July 27, 2020, the Company and Delek Drilling announced that demands were received from the Israel Securities Authority to present information and documents as part of an administrative inquiry. It should be noted that on November 10, 2020, the Partnership filed a response to the demand.

NOTE 5 – INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (CONTD.)

T. On March 16, 2020, Total E&P North Sea UK Ltd., the operator in the Isabella oil asset in the area of the continental shelf of the UK in the North Sea region, announced that in the exploratory drilling, indications of petroleum were discovered in the target layers of the well. The operator announced that due to high pressure and temperature, at this stage, production tests could not be performed using the existing equipment. Ithaca was informed that the operator intends to consider various alternatives for production tests at the oil asset at a later date. It should be noted that, under the terms of Ithaca's transaction regarding the oil asset, Ithaca does not bear expenses for its share in the oil asset (10%).

U. Further to Note 1A above regarding the spread of Covid-19 and the possible effect on Ithaca's business, including regarding the decrease in oil prices, the Group assessed the recoverable amount of oil and gas assets in the North Sea area as at March 31, 2020. As a result of the assessment, in the first quarter of 2020 the Group recognized a provision for impairment of oil and gas assets in the North Sea region in the amount of USD 751 million (NIS 2.6 billion) (after the effect of tax - USD 451 million (NIS 1.6 billion)). The recoverable amount was determined as the fair value of each cash-generating unit, net of selling costs.
In addition, the Company, through an independent outside valuator, examined the impairment of goodwill attributable to the item "Oil and gas development and production in the North Sea" in its entirety. The recoverable amount of the unit was calculated as the fair value of the investment in oil and gas production operations in the North Sea, net of selling costs, and it is estimated as at March 31, 2020 in the amount of USD 1,200 million. As a result of the assessment, the Group recognized impairment of goodwill attributable to these operations in the amount of USD 216 million (NIS 770 million).
The valuations were performed by an independent outside valuator using the cash flow discounting method, based on a discount rate after tax of 10.5%, future Brent oil prices of USD 35 per barrel in 2020, USD 45 per barrel in 2021, and reaching USD 68 per barrel in 2024, and future gas prices of 24 penny per thermal unit in 2020, 33 penny per thermal unit in 2021, and reaching 43 penny per thermal unit in 2024.

As at June 30, 2020, the Group, through an independent outside valuator, reexamined the impairment of goodwill attributable to the item "Oil and gas development and production in the North Sea" in its entirety. The recoverable amount of the unit was calculated as the fair value of the investment in oil and gas production operations in the North Sea, net of selling costs, and it is estimated as at June 30, 2020 in the amount of USD 2.1 billion. This value is higher than the carrying amount of the investment as at this date, which amounts to USD 1.1 billion. Accordingly, the Company was not required to include further impairment of the goodwill. The valuation was performed by a valuator using the cash flow discounting method, based on a discount rate after tax of 10%, future Brent oil prices of USD 35 per barrel in 2020, USD 45 per barrel in 2021, and reaching USD 68 per barrel in 2024 (it should be noted that in subsequent years, a decrease in oil prices compared to those included in the valuation of March 31, 2020 was taken into account), and in future gas prices of 24 penny per thermal unit in 2020, 33 penny per thermal unit in 2021, and reaching 43 penny per thermal unit in 2024. As at September 30, 2020, there were no further indications of impairment.

According to a sensitivity analysis that was conducted, a decrease of 10% in the oil and gas prices compared to those brought into account will lead to impairment of the total unit of USD 370 million. It should also be noted that an increase of 1% in the discount rate will lead to impairment of the total unit of USD 80 million.

V. According to the NSAI report dated July 10, 2020, the total quantity of 2P oil and natural gas reserves in all of Ithaca's oil assets, as at June 30, 2020, is 190.8 MMBOE (the Company's share) and the discounted cash flow value for these reserves, at a discount rate of 10%, according to the assumptions underlying the cash flow, is USD 2.4 billion. In addition, the total quantity of contingent resources in the 2C best estimate is 67.5 million MMBOE (the Company's share), and the discounted cash flow value for these contingent resources, at a discount rate of 10%, according to the assumptions underlying the cash flow, is an additional USD 653 million.
For information about the uncertainty of the estimated reserves, see section W below.

NOTE 5 – INVESTMENTS IN OIL AND GAS EXPLORATION AND PRODUCTION (CONTD.)

W. Appraisal of natural gas reserves, condensate, contingent and probable resources

The estimates in these sections above of the natural gas, oil, and condensate reserves, and contingent and probable resources of natural gas, oil, and condensate in the Partnership's rights in the leases, licenses, and concessions for oil and gas exploration are partially based on geological, geophysical, engineering, and other information received from the drillings and from the operators in these rights. These estimates are the professional estimates and assumptions only of NSAI, for which there is no certainty. Actual quantities of oil and 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 from 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 6 – CONTINGENT LIABILITIES

There are contingent claims against the Company and certain investees for significant amounts, including certification for class actions that might reach hundreds or billions of shekels. In some cases, it is not possible to assess their outcome at this stage, and therefore no provision was recorded in the financial statements, as set out below (see Note 24A to the Annual Financial Statements).

A. Further to Note 24(A)(2)(1) to the Annual Financial Statements regarding a claim and motion for its certification as a class action filed in connection with the issue of Tamar Petroleum shares, on July 21, 2020, a pre-trial hearing was held on the motion for certification, in which the respondents petitioned the court to rule on claims threshold that were raised in the responses to the motion for certification. The court ruled that the motions for dismissal in limine would be handed down for a ruling.
On August 3, 2020, the petitioners filed a motion for a 45-day stay to file a motion to amend the motion for certification. On August 17, 2020, the respondents filed a response to the motion for a stay, in which they objected to the motion. The court has not yet handed down its ruling on this notice. On September 29, 2020, the petitioners filed an update notice stating that they will file a motion for amendment of the motion for certification within 21 days, by adding another petitioner that participated in the issuance. On September 30, 2020, the respondents filed their response, in which they objected to this notice. The court has not yet handed down its ruling on this matter.
On November 1, 2020, the petitioners filed a motion for amendment of the motion for certification ("the Motion for Amendment"). 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. In accordance with the court ruling, the respondents are required to file their responses to the Motion for Amendment by December 23, 2020, and the Applicants are required to file their response by January 17, 2021. On November 12, 2020, the court accepted the motion. 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.

B. Further to Note 24A(2)(5) to the Annual Financial Statements regarding the appeal filed by some of the Tamar Partners ("the Appellants") with the Supreme Court against the Tel Aviv District Court judgment, which dismissed the administrative petition filed against the IEC and the Leviathan partners, regarding the selection of the Leviathan partners as the winner of the competitive process for the supply of natural gas to the IEC ("the Appeal"), it should be noted that on August 24, 2020, the Supreme Court handed down a ruling dismissing the Appeal.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

C. Further to Note 24A2(8) to the Annual Financial Statements, regarding the claim and the motion for certification of a class action against the Partnership and Noble and against the other holders of the Tamar and Leviathan projects (as parties against which remedy is not sought), regarding the competitive process for the supply of natural gas conducted by the IEC and with regard to a possible amendment to the gas supply agreement from the Tamar Project to the IEC, as agreed by the other holders of the Tamar Project, without the involvement of the Partnership and Noble, It should be noted that according to the court ruling of September 14, 2020, the respondents are required to file their responses to the motion for certification by December 15, 2020.
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. Further to Note 24A(2)(11) to the Annual Financial Statement, regarding a claim and motion for its certification as a class action, which was filed with the Economic Department of the Tel Aviv District Court, by a person claiming to hold participating units of the Partnership ("the Applicant"). The claim and the motion for certification were filed against the Partnership, Delek Drilling Management (1993) Ltd. (the "General Partner"), the Company, Yitzhak Sharon (Tshuva), 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 of the Partnership ("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. In accordance with the court ruling, the Respondents are required to file a reply to the motion for certification December 31, 2020, and the Applicant is required to file a response to the reply two months later. 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.

E. Further to Note 24A2(7) to the Annual Financial Statements, concerning the ruling handed by the District Court dismissing the petition filed by the Zichron Yaacov Local Council, the Zalul Environmental Association, the Jisr az-Zarqa Local Council, the Megiddo Regional Council, the Pardes Hanna-Karkur Local Council and the Emek Hefer Regional Council (below in this section - the "Petition" and the "Judgment") against the director of the Air Quality Division at the Ministry of Environmental Protection and against Noble in a petition to order the nullification of the emission permit of Leviathan and to rule that no activity involving the emission of gases will take place on the Leviathan platform, it should be noted that on June 22, 2020, an appeal of the Judgment was filed with the Supreme Court (below in this section - the "Appeal").
The Appeal seeks to amend the emission permit and to order that the pollutants emitted from the rig are not monitored by Noble or an entity with which it has contracted and that monitoring will be by the director of the Air Quality Division at the Ministry of Environmental Protection or someone that he appoints; and to amend the emission permit so that all the provisions relating to maintenance, environmental management, the environment, and the detection and treatment of leaks will be set out in the emission permit itself and not in an external plan. The Appeal is pending before the Supreme Court and in the meanwhile, a hearing has been scheduled for June 30, 2021. In the opinion of the Partnership's legal counsel, it is more likely than not that the Appeal will be dismissed.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

F. Further to Note 24A3(3) to the Annual Financial Statements, on May 12, 2020, the supervisors filed an urgent motion for temporary relief (and a motion for a second hearing) ("the Second Motion for an Injunction"). In accordance with the Second Motion for an Injunction, the court was petitioned to order the Partnership and the general partner to refrain from transferring to the royalty holders, including the Company, the overriding royalty in the Tamar lease at the increased rate, or alternatively to order them to transfer the overriding royalty at the increased rate to an escrow account owned by the Partnership, at least until the ruling on the main claim. Alternatively, the court was petitioned to hand down a temporary injunction or an additional or different injunction at the court's discretion, to ensure the possibility of collecting the overriding royalties, if a judgment is handed down that they overpaid. According to the supervisors, the motion was filed due to the extreme and dramatic change in circumstances that brought the holder of the royalty to the verge of insolvency (as they allege). The court was further petitioned to schedule an urgent hearing of the motion.

On May 19, 2020, a response (objection) to the Second Motion for an Injunction was filed on behalf of the royalty holders, alleging that the mere filing of the motion is a breach of the supervisors' obligation under the arrangement between the parties, according to which it was agreed that the plaintiffs cannot renew the motion for a temporary injunction or file similar motions. It was further alleged that the motion for a temporary injunction should be dismissed because the entire disputed amount was already paid to the royalty holder more than one year ago. The supervisors' claims regarding Delek Energy's financial situation were also dismissed, and on the other hand, it was claimed that Delek Energy is financially sound and holds assets.

On June 23, 2020, the supervisors submitted a motion and an agreed notice to the Tel Aviv-Jaffa District Court (Economic Department), claiming that following negotiations with the Company, Delek Energy, and Delek Royalties (2012) Ltd., an agreement was reached whereby at this time, there is no need to decide on the matters of dispute between the parties to the motion and the court was petitioned to order the cancellation of the hearing that was scheduled without awarding any expenses to any of the parties.
The court approved the agreed notice, cancelled the scheduled hearing, and ordered the parties to state, within ten days, whether they had reached an agreement and how they seek to proceed with the hearing in the main proceeding.

On July 9, 2020, the parties filed an agreed notice that the preliminary proceedings between the supervisors and the Partnership have ended and that the supervisors and the royalty holders have reached an agreement according to which the preliminary proceedings between them will be completed by July 23, 2020. The parties further agreed that within this period, they will hold discussions in order to reach agreements as to how to advance the proceedings and the filing of evidence in the case. On July 12, 2019, court gave the validity of a ruling to the parties' agreement. According to the court's ruling of November 19, 2020, the plaintiffs evidence, both in the claim of the supervisors and in the claim of the royalty holders, will be submitted by December 6, 2020 and the defendants' evidence, both in claim of the supervisors and in the claim of the royalty holders, will be submitted by January 19, 2021. The pretrial hearing was scheduled for January 26, 2021.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

G. Further to Note 24A3(5)1 to the Annual Financial Statements, regarding a claim and motion for its certification as a class action against the Company, all members of the Company's board of directors, and the Company's present and former CEO ("the Respondents").
According to the motion, the applicant's main allegation is that the Respondents failed (allegedly) to disclose to the investors material information about the collateral and liens and about the rights that the loan agreements conferred on the lenders, and in particular, regarding their repayment, including the immediate repayment.

According to the applicant, the class that is represented is whoever purchased shares in the Company between November 28, 2019 and March 23, 2020, other than the Respondents and related parties.

According to the applicant, due to the alleged breaches described in the statement of claim, the class that is represented incurred financial losses estimated at many millions of shekels. The date for filing a response to the motion for certification was scheduled for December 14, 2020, and the first pretrial hearing was scheduled for December 29, 2020. The Company believes, based on the opinion of its legal counsel, that in view of the early stage of the proceeding, as set out above, the chances of the claim cannot be assessed at this stage.

H. Further to Note 24A3(5)2 to the Annual Financial Statements, regarding a claim and motion for its certification as a class action against the Company, all members of the Company's board of directors, and the Company's present and former CEO ("the Respondents").

According to this motion, the applicant's allegation is that the Company failed (allegedly) to report reporting material information to the holders of its securities about the changes to the scope and terms of the hedging transactions on the price of oil and natural gas made by the subsidiary, Ithaca.

According to the applicant, the class that is represented is whoever purchased the Company's debentures from any of its series between January 1, 2020 and March 22, 2020 and held the debentures at the close of trading on March 22, 2020. According to the applicant, due to the alleged breaches described in the statement of claim, the class that is represented incurred financial losses estimated at many millions of shekels.

On November 16, 2020, the Respondents filed their response (objection) to the motion for certification. The pre-trial hearing was scheduled for December 29, 2020. The Company believes, based on the opinion of its legal counsel, that in view of the early stage of the proceeding, as set out above, the chances of the claim cannot be assessed at this stage.

I. Further to Note 24A3(6) to the Annual Financial Statements, on April 26, 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 Company's auditors, members of the committee for reviewing the Company's financial statements in the relevant period, the Chairman of the Board of Directors, and the former CEO of the Company ("the Respondents").
According to the motion, the main claim of the applicant is that the Respondents were misleading and did not disclose (allegedly) material information about the Company's business regarding a provision in the Company's financial statements for the risk of payment of tax in excess of NIS 160 million (for capital gains tax liabilities of Delek Hungary arising from the disposal of shares of Delek US Holdings Inc. in 2012-2013), and that it was forbidden to cancel the provision in the Company's financial statements after receiving the District Court ruling, knowing that an appeal would be filed.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

I. (contd.)

According to the applicant, the class that is represented is whoever purchased shares in the Company as from August 30, 2018 and held them at least until January 26, 2020, or anyone who purchased shares as from November 6, 2019 and held them until January 26, 2020 or anyone who purchased shares as from December 1, 2019 and held them until January 26, 2020.

According to applicant, total loss was NIS 36.26 per share and NIS 90 million for the class, and this amount is for the sole purpose of estimating the class action at the time it was filed.

On November 1, the Company and its officers filed their response (objection) to the motion for certification, as did the Company's auditors. Based on the court ruling of September 30, 2020, the applicant is required to file a response to the replies by January 1, 2021.

The Company believes, based on the opinion of its legal counsel, that in view of the early stage of the proceeding, as set out above, the chances of the claim cannot be assessed at this stage.

J. Further to Note 24(A)(4)(4) to the Annual Financial Statements, 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 (“the Respondents”).

The motion was filed by Zalul Environmental Association and two private applicants. According to the Applicants, the respondents, jointly and severally, are liable for compensation to the general public in Israel (which falls within the definition of "the Class" as defined in the application and described below) for their alleged liability for pollution of groundwater and the marine environment, due to the existence of hazardous and pollutive materials in the area purchased by the subsidiary in 2011 and which is south of Acre, at the site where Electrochemical Industries operated (“the Site”). According to the Applicants, these materials are continuing to pollute the soil at the Site while spilling over into the environment, damaging the groundwater, seawater, and nature.

According to the Applicants, when the subsidiary acquired ownership of the Site, it assumed the liability for damage caused due to materials that remained at the Site since its acquisition, and these materials continued to leak or spill over in the period since control was transferred. The Applicants further claim that when the subsidiary acquired ownership of the Site, it assumed the responsibility for action to prevent the continuation of pollution and to clean the land

The class that is represented is defined in the motion as any residents and citizens of Israel who use the services of Acre's coastal environment, or any other class as the court may determine. At this time, there is no way to estimate the size of the class underlying the level of compensation that the applicants claim is payable by the respondents to each of the class members. The motion stipulates an amount of “at least NIS 2.5 million” as compensation for the alleged damage that the applicants claim was incurred by the class due to the continuation of pollution in the period when the Site was under the control of the subsidiary. In addition, the applicants request that the court order the respondents to pay of all the restoration expenses, which they estimate at hundreds of millions of shekels, as well as the environmental damage that they claim that the respondents must pay to the public for compensation. Some of the compensation components were not included in the motion, therefore the exact amount of the claim is unknown, however, the applicants’ claims indicate that the level of compensation to the public, in addition to the cost of restoration, could also amount to hundreds of millions of shekels.

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 (objection) to the motion for certification and a pretrial hearing was scheduled for December 23, 2020. 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 subsidiary in particular, in respect of the motion.

NOTE 6 – CONTINGENT LIABILITIES (CONTD.)

K. 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. As arises from the motion, the applicant's principal allegations refer to misleading information and(alleged) non-disclosure of material details about the Company's affairs and its financial situation in connection with the cash flow forecast published by the Company on March 8, 2020. The applicant claims that the damage incurred by him and the class he seeks to represent is the difference in the price of securities between their purchase price and their selling price or the price at which they will be sold.

The class defined in the motion is anyone who purchased the Company's debentures between March 8, 2020 (the publication date of the cash flow forecast report) and March 12, 2020, provided that their individual selling price is lower than the purchase price, or that the consideration received for the debentures was lower than the purchase price. 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. The applicant claims that based on his calculation, the damage is NIS 80 million and the applicant reserves the right to amend the amount of the claim, also taking into account the figures that will be received. At this stage, the respondents are required to file a reply to the motion for certification by November 30, 2020 and the applicant is required to file a response to the reply no later than 30 days thereafter. The Company believes, based on the opinion of its legal counsel, that in view of the preliminary stage of the proceeding, as set out above, the chances of the claim cannot be assessed.

L. On September 22, 2020, the Company received a motion for certification of a claim as a derivative claim (multiple) in the name of the Delek Foundation for Science, Education, and Culture Ltd. ("the Delek Foundation"), which is a wholly-owned subsidiary of the Company. The motion was filed at the Central-Lod District Court and the respondents are the Delek Foundation, the Company, the controlling shareholder in the Company - Yitzhak Sharon Tshuva, the chairman of the Company's board of directors - Gabi Last, and a number of employees and officers in the Company, present and past, who held various positions in the Delek Foundation. The claim refers to the distribution of donations from the funds of the Delek Foundation, which, according to the applicant, were allegedly made contrary to the objectives of the Delek Foundation and without obtaining the approvals required in the Companies Law for transactions with interested parties. As a result, the court was petitioned to order the respondents (other than the Delek Foundation and the Company) to return to the Delek Foundation or compensate it for all donations made to the Western Wall Heritage Foundation in the seven years preceding the date of the motion, which the applicant claimed were made contrary to the objectives of the Delek Foundation.

On November 18, 2020, the parties filed a motion with the court to approve a procedural arrangement in the proceedings, in which it was agreed, among other things, that the last date for a motion for a response to the motion is January 21, 2021, the date for filing a response will be 45 later, before a ruling is handed down on the motion for approval of the procedural arrangement. The Company believes, based on the opinion of its legal counsel, that in view of the preliminary stage of the proceeding, as set out above, the chances of the claim cannot be assessed.

NOTE 7 – CAPITAL

A. On May 17, 2020, the Company completed an issue of capital, under which 1,371,350 ordinary shares of the Company, 329,124 options (Series 7), and 329,124 options (Series 8) were allocated.

Each Option (Series 7) and Option (Series 8) is exercisable for one ordinary share of the Company in consideration for an exercise price of NIS 100 (adjusted to the dividend, benefit, and rights). Each Option (Series 7) was exercisable until July 15, 2020 and each Option (Series 8) is exercisable until December 31, 2020.

The immediate consideration (before offering expenses) received by the Company for the offering amounts to NIS 137 million. In July 2020, 53 Options (Series 7) were exercised for a non-material amount and the balance of the Options (Series 7) expired.

B. On August 4, 2020, the Company completed an issue of capital, under which 2,198,200 ordinary shares of the Company, 758,000 Options (Series 9), 379,000 Options (Series 10), 758,000 Options (Series 11), and 379,000 Options (Series 12) were allocated.
Each Option (Series 9) and Option (Series 10) is exercisable for one ordinary share of the Company in consideration for an exercise price of NIS 75 (adjusted to the dividend, benefit, and rights). Each Option (Series 9) is exercisable until December 15, 2020 and each Option (Series 10) is exercisable until April 1, 2021.

Each Option (Series 11) is exercisable for one ordinary share by December 15, 2020, against cash payment of an exercise price (adjusted for a dividend, benefit and rights) in the amount of NIS 77, and from December 16, 2020 through June 30, 2023, against cash payment of an exercise price (adjusted for a dividend, benefit and rights) in the amount of NIS 150.

Each Option (Series 12) is exercisable for one ordinary share by April 1, 2021, against cash payment of an exercise price (adjusted for a dividend, benefit and rights) in the amount of NIS 77, and from April 2, 2021 through May 31, 2023, against cash payment of an exercise price (adjusted for a dividend, benefit and rights) in the amount of NIS 150.

The immediate consideration (before offering expenses) received by the Company for the offering amounts to NIS 176 million (NIS 172 million after offering expenses).

Subsequent to the issue of the shares, the issued and paid up capital of the Company amounts to 15,553,198 shares of NIS 1 par value each.

C. Subsequent to the balance sheet date, in November 2020, 125,539 options (Series 9) were exercised for 125,539 Company shares of NIS 1 par value each for a consideration of NIS 9.5 million. After the exercises, the issued and paid-up share capital of the Company is 15,678,737 shares of NIS 1 par value each.

D. Further to Note 26B to the Annual Financial Statements, in the first quarter of 2020, Delek Financial Investments (2012) – Limited Partnership (“the Subsidiary Partnership”) acquired 135,662 shares of the Company for a consideration of NIS 60 million. Following the sale, the Subsidiary Partnership holds 586,422 shares of the Group.

NOTE 8 – FINANCIAL INSTRUMENTS

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

A. On May 13, 2020, the Company sold all its holdings in the shares of Mehadrin Ltd. ("Mehadrin"), representing 18.55% of the share capital of Mehadrin, in an off-floor transaction and for a total consideration of NIS 74 million received by the Company.

B. On September 13, 2020, Delek Energy entered into an agreement with a third party ("the Buyer") for the sale of the entire holdings of Delek Energy (39.3%) in Delek Royalties (2012) Ltd. ("Delek Royalties") for a total consideration (subject to the provisions below) amounting to NIS 46 million, which reflects a share price of NIS 5.7497 (29% on the share price of Delek Royalties at the close of trading on September 10, 2020. Under the agreement, the acquisition will be in two stages: in the first stage, at the date the agreement was signed, the Buyer acquired from Delek Energy 12.3% of the share capital of Delek Royalties in cash, at a share price of NIS 5.7497 per share and a total amount of NIS 14 million; in the second stage, the Buyer issued a special tender offer for a quantity of shares that will represent, after completion of the tender offer and together with the holdings held by the Buyer, including those acquired in the first stage, at least 45% of the voting rights of Delek Royalties. Under the agreement, the price, which the Buyer specified in the tender offer, was set at the Buyer's discretion but will be no less than NIS 5.7497 per share. Under the agreement, Delek Energy has undertaken to accept the tender offer for all the shares of Delek Royalties it holds. Subsequent to the balance sheet date, in November 2020, as part of the tender offer, the Buyer acquired an additional 5% of the share capital of Delek Royalties from Delek Energy for NIS 24 million in cash. The total consideration received for the sale of the shares in both stages amounted to NIS 38 million. After the two stages, Delek Energy holds 7% of the share capital of Delek Royalties (shortly before the publication date of the financial statements, equal to NIS 8 million).

C. Fair value

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

	Carrying amount		Fair value	
	September 30	December 31	September 30	December 31
	2020	2019	2020	2019
.	Unaudited	Audited	Unaudited	Audited
	NIS millions			
Debentures	19,077	12,758	16,586	12,920

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

NOTE 8 – FINANCIAL INSTRUMENTS (CONTD.)

D. Price risk

(1) Risk associated with commodity prices

Ithaca is exposed to changes in oil and gas prices for its future sales. To hedge the exposure, Ithaca has hedge transactions (mostly put and swap) on gas prices for part of its future production. Information about open transactions as at September 30, 2020:

Transactions on the price of oil

	Period	Quantity (K barrels of oil)	Average exercise price (USD/barrel)
Put	October 2020 to December 2021	3,736	60
Swap	October 2020 to December 2022	8,737	43

Transactions on the price of gas

	Period	Quantity (ktherms)	Average exercise price (penny per thermal unit)
Put	October 2020 to December 2021	185,100	58
Swap	October 2020 to December 2022	228,125	49

The cost of acquiring the hedging transactions (the options)(in non-discounted values) amounts to USD 56 million, to be repaid over the transaction period (deferred premium), as set out below:

Hedging period	USD million
From Q3 until December 2020	17
2021	28
	45

The transactions are accounted for as hedge accounting. As at September 30, 2020, the net fair value of the hedge transactions reflect an asset of USD 82 million (NIS 281 million).

On the background of falling oil prices, in the reporting period, Ithaca exercised some of the hedging transactions, replacing them with hedging transactions that reflect the updated forecast for the price of oil. The total net consideration received by Ithaca from the transactions amounted to USD 156 million.

NOTE 8 – FINANCIAL INSTRUMENTS (CONTD.)

D. Price risks (contd.)

(2) Risk associated with the market price of financial investments

The Group has investments in marketable financial instruments on the TASE, shares and debentures, classified as financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss, and other financial instruments, for which the Group is exposed to changes in fair value based on the market price on the TASE.

The table below presents the impact of possible changes on market prices of securities on pre-tax income and on capital:

	Effect on earnings (loss)		Effect on other comprehensive income	
	September 30, 2020		September 30, 2020	
	Unaudited			
	Price increase of 10%	Price decrease of 10%	Price increase of 10%	Price decrease of 10%
Risk factor	NIS millions			
Price of securities	11	(11)	4	(4)

	Effect on earnings (loss)		Effect on other comprehensive income	
	December 31, 2019		December 31, 2019	
	Audited			
	Price increase of 10%	Price decrease of 10%	Price increase of 10%	Price decrease of 10%
Risk factor	NIS millions			
Price of securities	71	(71)	19	(19)

NOTE 8 – FINANCIAL INSTRUMENTS (CONTD.)

D. Price risks (contd.)

(3) Sensitivity analysis of the value of the contingent consideration

(a) Sensitivity analysis of the value of contingent consideration for the sale of rights in the Karish and Tanin leases by Delek Drilling (as set out in Note 5J above), to changes in the price of natural gas.

	Profit (loss) from change in the gas price			
	NIS millions			
	Increase of USD 1 per MMBTU	Increase of USD 0.5 per MMBTU	Decrease of USD 0.5 per MMBTU	Decrease of USD 1 per MMBTU
	September 30, 2020			
	Unaudited			
Amounts receivable for sales of oil and gas assets	56	31	(29)	(58)

(a) Sensitivity analysis of the value of contingent consideration for the sale of rights in the Karish and Tanin leases by Delek Drilling (as set out in Note 5J above), to changes in the discounting rate.

	Profit (loss) from change in discounting interest			
	NIS millions			
	1.5%	0.5%	- 0.5%	- 1.5%
	September 30, 2020			
	Unaudited			
Amounts receivable for sales of oil and gas assets	(47)	(17)	18	54

NOTE 9 – OPERATING SEGMENTS

A. General

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

The operating segments are as follows:

- Oil and gas exploration and production in Israel and its surroundings: The main operation is in the Tamar joint venture, the Ratio Yam joint venture, the Yam Tethys joint venture, and other oil rights, mainly offshore the coast of Israel through Delek Drilling.

- Development and production of oil and gas 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 sectors included mainly desalination up to the date of the sale of the investment in IDE, as set out in Note 3B above.

It should be noted that in view of the sale of the Company's investment in Delek Automotive in 2019, and presentation of their operating results under income from discontinued operations, Delek Automotive and The Phoenix were not presented as reportable segments in the comparative figures. In addition, in view of the binding agreement for the sale of the power plant for power generation, as well as the sale of the fuel operations in Israel, these operations were recognized under results of discontinued operations with reclassification of comparative figures.

B. Segment reporting

1) Revenue

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2020	2019	2020	2019	2019
	Unaudited				Audited
	NIS millions				
<u>Revenue from external sources</u>					
Oil and gas exploration and production in Israel and its surroundings *)	1,982	1,012	810	350	1,332
Development and production of oil and gas assets in the North Sea	3,106	962	916	220	2,062
Other segments **)	5	21	-	13	22
Inter-segment and adjustments *)	(56)	(49)	(21)	(17)	(60)
Total in statement of income	5,037	1,946	1,705	566	3,356

*) Inter-segment sales are mainly for the sale of natural gas from the oil and gas exploration and production sector in Israel and its surroundings to other operations.

**) Restated, see Note 2D

NOTE 9 – OPERATING SEGMENTS (CONTD.)

B. Segment reporting (contd.)

2) Segment results

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2020	2019 **)	2020	2019 **)	2019 **)
	Unaudited				Audited
	NIS millions				
Oil and gas exploration and production in Israel and its surroundings	937	455	526	201	649
Development and production of oil and gas assets in the North Sea	(2,508)	266	241	54	(104)
Other segments	22	128	1	(14)	(63)
Adjustments *)	(85)	(50)	(26)	(4)	(55)
Operating profit (loss)	(1,634)	799	742	237	427

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

**) Restated, see Note 2D

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

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2020	2019 *)	2020	2019 *)	2019 *)
	Unaudited				Audited
	NIS millions				
Oil and gas exploration and production in Israel and its surroundings	74	300	127	139	476
Development and production of oil and gas assets in the North Sea	(2,185)	86	89	2	(128)
Other segments	24	154	1	(12)	(30)
Adjustments **)	(523)	(318)	(136)	(120)	(443)
Profit (loss) from continuing operations attributable to shareholders of the Company	(2,610)	222	81	9	(125)

*) Restated, see Note 2D

**) Mainly administrative and general expenses, financing and taxes attributable to headquarter companies

NOTE 10 – - AGREEMENTS WITH DEBENTURE HOLDERS AND BANKS AND OTHER INSTITUTIONS

Further to Note 1B, in June 2020, the Company entered into agreements with its various financial creditors as follows:

1. Amendments to the deeds of trust between the Company and the debenture holders of the various series

On June 17, 2020, the general meeting of the holders of the various series of the Company’s debentures approved the amended deed of trust of each of the Company’s debenture series, including (among others), the following provisions:

A. Raising capital: The Company’s commitment to raise capital in an aggregate amount of NIS 500 million by April 8, 2021, in accordance with the following milestones: By July 31, 2020, raising of NIS 300 million (the Company raised NIS 313 million in May and August 2020), by December 15, 2020, raising of NIS 150 million, and by April 8, 2021, raising of NIS 50 million. . For information about the exercise of Options (Series 9) shortly before the approval date of the financial statements, see Note 7 above.

B. Negative pledge, prohibition of early payment and other liabilities: the Company’s undertaking that in the stipulated period (as defined below), the Company and the private companies under its control:

1. Will not create liens, will not increase amounts secured by existing liens, and will not provide guarantees, other than liens and guarantees that are exempt as set out in the deed of trust.
2. Will not pay creditors on a date that is earlier that the date set out in the repayment schedule, other than payments that are exempt as set out in the deed of trust.
3. Will not transfer funds and/or assets to Ithaca companies and/or their creditors and will not assume liabilities and/or guarantees regarding Ithaca companies and/or their debts, other than payments that are exempt or that the Company is permitted to perform as set out in the deed of trust.

According to the amendment to deed of trust, “the record period" is the period from the approval date of the deed of trust until seven days have elapsed from the publication date of the Company’s immediate report on the expiration condition; “the expiration condition" means that the following conditions were fulfilled at that date: (A) The Company's equity in the Company statements and the statements of the prior quarter exceed the amount set out in the amendment to the deed of trust; (B) the ratio of equity to the balance sheet in the Company's statements (separate) and in the statements of the prior quarter is not less than 22.5%; (C) the rating of the Company's debentures is at least A (according to Maalot); "Ithaca companies" means DKL Investment Limited (“DKL”) and any company under its control.

C. Liens: The Company’s undertaking to create a lien on the various assets of the Group, in favor of the Company's trustees and debenture holders, including the following assets: (A) Participating units conferring rights in the rights of the limited partner in Delek Drilling, representing 40% of Delek Drilling’s share capital (as at the approval date of the financial statements, 40% of Delek Drilling’s participating units were pledged in favor of the trustees). As from January 1, 2022, the Company may have the right to demand the release of some of the pledged participating units, in the amount and subject to the terms set out in the amendment to the deed of trust; (B) the shares and rights in most of the companies that are controlled by the Company; (C) the rights by virtue of the loans provided to the Company and/or companies under its control; (D) the assets of Delek Financial Investments Partnership that holds the Company's debentures and shares; (E) the Group’s rights in connection with the Leviathan Overriding Royalty, up to the date of securitization against the overriding royalties. For further information about the completion of securitization of the Leviathan Overriding Royalty, see Note 5N above); (F) rights by virtue of loans provided to third parties.

NOTE 10 – AGREEMENTS WITH DEBENTURE HOLDERS AND BANKS AND OTHER INSTITUTIONS

1. Amendments to the deeds of trust between the Company and the debenture holders of the various series (contd.)

D. According to the amendment to the deed of trust, the trustee and the debenture holders will have grounds to call for immediate payment if the Company does not receive certain amounts of cash from Delek Petroleum Ltd. and/or other sources set out in the amendment to the deed of trust in a cumulative amount of NIS 800 million (including an amount of at least NIS 600 million, which should be received by October 31, 2020, of which NIS 400 million are from a dividend from Delek Israel). As at the approval date of the financial statements, NIS 600 million was received from the dividend and disposal of Delek Israel.

E. Other grounds for immediate repayment in the amendment to deed of trust:

1. For the period up to May 31, 2021, the trustee and the debenture holders will not call for immediate repayment of the debentures based on the established grounds, but only on the state of the Company's business as it was at the publication date of the amendment to the deed of trust and as of June 1, 2021 this restriction will no longer apply to the trustee of the debenture holders.

2. Up to the publication date of the statements for the first quarter of 2021, the grounds for immediate repayment included in the deeds of trust regarding low equity will not apply. For the statements as from the second quarter of 2021 and up to the financial statements for 2021, the debenture holders will have grounds to call for immediate repayment if the equity net of the additional capital from revaluations as defined in the amendment to the deed of trust is lower than the total equity of the Company as at June 30, 2020, with the addition of NIS 600 million, or if the equity in the financial statements is less than NIS 1.6 billion. These limits gradually increase over the years.
In view of the capital attributed to the Company's shareholders as at June 30, 2020, the minimum capital required in the subsequent periods is as follows: with regard to the financial statements commencing from the second quarter of 2021 report through to the annual financial statements for 2021, NIS 1.6 billion; with regard to all the financial statements for 2022 (including quarterly reports), NIS 2 billion; with regard to all financial statements for 2023 (including quarterly reports), NIS 2.4 billion; and commencing from the first quarter of 2024 financial statements, NIS 2.6 billion. Failure to comply with the standard in any of the foregoing financial statements will constitute grounds for immediate repayment.

3. Up to the publication date of the statements for the first quarter of 2021, the grounds for immediate repayment included in the deeds of trust regarding the equity to balance sheet ratio will not apply. For the statements as from the second quarter of 2021 and up to the financial statements for 2021, the equity to total balance sheet ratio in accordance with the separate financial statements falls below 12.5% over two consecutive quarters. This ratio rises gradually over subsequent years, so that as from the first quarter of 2024, the debenture holders will have grounds to call for immediate repayment if the equity to total balance sheet ratio in accordance with the Company's separate financial statements falls below 20% over two consecutive quarters.

4. Low rating - until May 31, 2021, the trustee and debenture holders will not have the right to call for immediate repayment of the debentures due to a rating that is lower than BBB-). As from June 1, 2021, the debenture holders will have the right to call for immediate repayment if the debenture rating is lower than BBB-.

5. If another creditor of the Company or creditors of the Company's subsidiaries call for payment of their debt (in accordance with the quantitative thresholds set out in the amendment to the deed of trust), and in certain cases, they also have grounds to call for immediate repayment, this will constitute grounds to call for immediate repayment of the debentures.

NOTE 10 – - AGREEMENTS WITH DEBENTURE HOLDERS AND BANKS AND OTHER INSTITUTIONS

1. Amendments to the deeds of trust between the Company and the debenture holders of the various series (contd.)

E. Other grounds for immediate repayment in the amendment to deed of trust: (contd.)

6. In the effective period: general and administrative expenses in 2020, including those of the Staff Companies, will not exceed (including the costs of the amendment to the deed of trust) those in 2019, based on the Company's financial statements. In 2021, they will not exceed NIS 45 million; in 2022, NIS 40 million; and from 2023, NIS 35 million.

F. The amendment to the deed of trust includes various declarations and undertakings of the Company, including: (A) In connection with the uses to be made of the proceeds from the capital issuances and/or dividends and/or sale and/or pledge of certain assets; (B) a commitment not to deposit funds and/or securities in banks that are creditors of the Company or companies under its control, other than the exceptions that were established; (C) a commitment not to acquire assets and/or to make investments and/or to take credit and/or to make financial liabilities to financial creditors and/or to change the terms of certain credit agreements, other than the exceptions that were established; (D) in the record period: The Company's general and administrative expenses will not exceed the amounts that were established, the Company will not perform a distribution, the Company and the companies under its control will not enter into transactions in which the controlling shareholder has a personal interest (other than officers, insurance and existing agreements as set out in the statements), the Company and private companies under its control will not sell or purchase the Company’s debentures; (E) an obligation to cover the expenses and fees of the trustees and their representatives. It was further established that a breach of any of the Company's obligations under the amendment to the deed of trust will serve as grounds for the trustees and debenture holders to call for immediate repayment and the right to exercise all the collateral provided to the trustees.

1. <u>Deed of consent with the banks</u>

On June 15, 2020, the Company, Delek Energy, and DKL (jointly below: “ the Companies”) signed a deed of consent with various banks that provided the Company and/or Delek Energy with credit secured by a lien on the participating units of the Partnership, and with a foreign bank that provided a loan to DKL (“the Banks”), as set out below. It should be emphasized that as at the approval date of the financial statements, the Company has fulfilled its obligations under the deed of consent and has repaid its full obligations to the Banks as set out in Note 1 above.

2. <u>Lien on the shares of Delek Israel in favor of the Banks</u>

A subsidiary of the Company will pledge all the shares of Delek Israel that it holds to the Banks. The Company will take steps to sell Delek Israel shares, and the consideration from their sale and/or dividends received for the pledged shares will be used to repay the credit to the Banks, pro-rata, in accordance with the proportion of each bank in the credit balance. A trust company was appointed with the consent of the parties as a trust company for the Banks and the Companies ("the Collateral Trustee").
As at the approval date of the financial statements, the Company and its Staff Companies have repaid the full debt to the Banks. For further information about the sale of Delek Israel, see Note 3E(4) above.

NOTE 10 – AGREEMENTS WITH DEBENTURE HOLDERS AND BANKS AND OTHER INSTITUTIONS (CONTD.)

1. Amendments to the deeds of trust between the Company and the debenture holders of the various series (contd.)

F. (contd.)

3. The standstill period

a. In the period up to September 30, 2020 ("the Standstill Period"): (A) the Companies will not be required to complete collateral in favor of the Banks, even if the collateral is impaired; (B) the Banks will not take any legal action against the Companies for the credit documents; (C) the loans provided by the Banks will not be called for immediate repayment and the credit facilities will remain in force in the amount of the actual credit used; and (D) the Banks will not take steps to exercise the collateral.

b. The Standstill Period may be extended to October 30, 2020, subject to certain conditions set out in the deed of consent, and among other things, that by until September 30, 2020: A binding agreement will be signed for the sale of Delek Israel, to allow repayment of the entire debt to the Banks; the Company will present cash flow sources at a high level of certainty, which will allow payments to the debenture holders with a repayment date by October 31, 2020, and repayment to the Banks of at least 50% of the credit amount at the date the deed of consent is signed. The Company is in compliance with the obligation. For further information about the sale of Delek Israel, see Note 3E(4) above.

c. The deed of consent sets out events, which, if they occur, each of the Banks will have the right to cancel the Standstill Period and implement all the means at their disposal, including to call for immediate repayment of the entire debt and to act to exercise the lien on Delek Israel and dispose of the participating units that are pledged in its favor (“the Terminating Event"), including: if the Companies fail to pay the Banks any amount at its due date; if the Companies breach an undertaking under the deed of consent and/or its appendixes and/or the amendment to the deed of trust with the debenture holders and/or other undertakings of Delek Israel towards a foreign bank; if insolvency proceedings were taken against the Companies; if a decision was taken at a general meeting of the debenture holders of any series to call for immediate repayment of the debt to them or if the amendment to the deed of trust with the debenture holders is cancelled by the debenture holders; if the price of the participating unit is lower than the price set out in the letter consent and the collateral ratio falls below the ratio set out in the deed of consent; if it evolves that a declaration or representation of the Companies in the deed of consent and/or its appendixes is incorrect in a way that could prejudice the lien on Delek Israel shares; if an application for temporary or permanent foreclosure is filed and/or if a temporary or permanent foreclosure is imposed on Delek Israel shares, and it has not been dismissed or canceled within 30 days; if any of the Banks announces the cancellation of the Standstill Period due to the materialization of any of the events described above.

NOTE 10 – AGREEMENTS WITH DEBENTURE HOLDERS AND BANKS AND OTHER INSTITUTIONS (CONTD.)

1. Amendments to the deeds of trust between the Company and the debenture holders of the various series (contd.)

F. (contd.)

4. Current repayments and advance payments

   a. In the Standstill Period, the Companies will continue to make regular repayments of interest to the Banks, in accordance with the agreements signed with them.

   b. The Company will transfer to the Collateral Trustee, for repayment of credit to the Banks, up to 75% but not less than 50% of the amounts received and/or to be received as a result of the raising capital performed by the Company in May 2020 and raising additional capital in the Standstill Period (if any). In addition, it was determined that the Company will transfer to the Collateral Trustee, for repayment of the credit to the Banks, up to 75% but no less than 50% of the amounts to be received by the Company for the sale of the overriding royalty in the Karish and Tanin reservoirs. The Company acted in accordance with the agreements, and as at the approval date of the financial statements, the Company and its Staff Companies have repaid the full debt to the Banks.

5. End of the Standstill Period

   a. If, at the end of the Standstill Period, Delek Israel shares are not sold or not all of the credit to the Banks is repaid, and if an event occurs that allows the Banks to end the Standstill Period - the Banks will be permitted to exercise the lien on Delek Israel.

   b. At the end of the Standstill Period, the provisions of the credit documents with the Banks will continue to apply (other than for the credit facilities that will meet the actual level of credit utilized). Notwithstanding the aforesaid, the Banks will not call for immediate repayment of the credit on the grounds of events of default set out in the credit documents, and which occurred before the end of the Standstill Period, and will not cancel the credit facilities before the final repayment date of the credit, subject to the fulfillment of cumulative conditions: (1) By the end of the Standstill Period, the Banks will be repaid at least 60% of the credit amount when signing the deed of consent; (2) the Companies comply with financial ratios (the LTV ratio) set out in the credit documents with each of the Banks.

6. Release of participating units

   a. It was established, together with the repayment of credit to the Banks (which is not from proceeds arising from the shares or assets of Delek Israel), the Banks will release participating units in a quantity to be calculated such that immediately after the release, the collateral ratio set out in the deed of consent will be fulfilled. In accordance with irrevocable instructions issued by the Companies to the Collateral Trustee, the Collateral Trustee will transfer the participating units that will be released as aforesaid to the trustee of the debenture holders, and they will be pledged in favor of the debenture holders, up to a quantity representing 40% of the total units of Delek Drilling. The participating units that will be released in excess of this amount will be transferred to the Companies. As at the approval date of the financial statements, 40% of the units of Delek Drilling have been pledged in favor of the debenture holders.

As at the approval date of the financial statements, the Company has fulfilled all its obligations in the deed of consent with the Banks and the full debt of the Banks relevant to the deed of consent has been repaid in full.

2. For information about the understandings with financial institutions reached by the Company regarding the support documents, see Note 3A(1) above.

Delek Group Ltd.

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

September 30, 2020

Unaudited

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Special Report on the review of the separate interim financial information pursuant to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970

Tel Aviv
November 25, 2020

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Special Report in accordance with Regulation 38D

Financial Figures and Financial Information from the Interim Consolidated Financial Statements

Attributed to the Company

Below are the separate figures and financial information attributed to the Company from the interim consolidated financial statements of the Group as at September 30, 2020, published as part of the periodic reporting ("Consolidated Reports"), presented in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970:

Breakdown of Financial Information from the consolidated statement of financial position attributable to the Company

	As at September 30		At December 31
	2020	2019	2019
	Unaudited		Audited
	NIS millions		
Current assets			
Cash and cash equivalents	17	242	685
Short-term investments	23	70	112
Assets in respect of swap transactions	-	-	261
Income tax receivable	19	13	13
Financial derivatives	-	44	6
Other receivables	40	36	72
	99	405	1,149
Assets held for sale,	-	2,290	-
Total current assets	99	2,695	1,149
Non-current assets			
Investments in investees and partnerships	2,039	5,792	4,817
Loans and capital notes to investees	4,941	3,668	4,923
Financial assets	92	192	185
Assets in respect of swap transactions	-	-	261
Long term loans and debit balances	299	158	407
Financial derivatives	16	56	34
Investment property	188	190	222
Fixed assets, net	48	49	49
Total non-current assets	7,623	10,105	10,898
	7,722	12,800	12,047

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

Breakdown of Financial Information from the consolidated statement of financial position attributable to the Company

	As at September 30		At December 31
	2020	2019	2019
	Unaudited		Audited
	NIS millions		
Current liabilities			
Debentures including current maturities	5,709	857	894
Borrowings, bank loans and others, including current maturities	199	529	253
Current maturities of bank liabilities in respect of the swap transactions	-	-	259
Loans from subsidiaries	171	-	135
Financial derivatives	-	22	16
Other payables	140	144	170
	6,219	1,552	1,727
Liabilities attributable to assets classified as held for sale	-	609	-
Total current liabilities	6,219	2,161	1,727
Non-current liabilities			
Long Term Bank Loans	-	121	502
Loan from a subsidiary	-	-	123
Long term bank liabilities in respect of the swap transactions	-	-	234
Debentures	-	5,032	4,578
Debentures convertible into Company shares	-	693	694
Financial derivatives	-	19	19
Other liabilities (primarily liability for decommission of long term assets)	15	28	37
Total non-current liabilities	15	5,893	6,187
Equity attributable to equity holders of the Company			
Share capital	16	13	13
Share premium	2,181	1,919	1,919
Proceeds for conversion options	18	18	18
Options	42	-	-
Retained earnings	463	3,693	3,382
Foreign currency translation differences for foreign operations	(546)	(580)	(653)
Reserve for transactions with non-controlling interests	(672)	(334)	(289)
Other reserves	300	257	(3)
Treasury shares	(314)	(240)	(254)
Total capital	1,488	4,746	4,133
	7,722	12,800	12,047

November 25, 2020			
Date of approval of the financial statements	Gabriel Last Chairman of the Board of Directors	Idan Wallace CEO	Tamir Polikar Executive VP and CFO

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

Breakdown of Financial Information from the consolidated statements of income attributable to the Company

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2020	**2019 *)**	**2020**	**2019 *)**	**2019 *)**
	Unaudited				**Audited**
	NIS millions				
Revenue from overriding royalties and gas sales (net of royalties)	6	19	2	6	27
Rental fees	5	7	1	2	9
Company's share in earnings (losses) of partnerships and investees, net	(2,355)	419	187	104	149
Management fees from investees	1	2	-	1	2
Total revenue (expenses)	(2,343)	447	190	113	187
Production cost of gas sold	5	8	1	5	11
General and administrative expenses	37	38	12	11	51
Other revenues (expenses), net	(130)	20	-	7	157
Operating profit (loss)	(2,515)	421	177	104	282
Net financing income with respect to loans to investees and others	33	9	9	2	22
Financing income (expenses) (mainly for financial investments), net	4	96	164	(17)	71
Financing expenses (mainly with respect to debentures)	(412)	(304)	(236)	(80)	(389)
Profit (loss) before taxes on income	(2,890)	222	114	9	(14)
Taxes on income	-	-	-	-	(1)
Profit (loss) from continuing operations	(2,890)	222	114	9	(15)
Profit (loss) from discontinued operations, net	(53)	323	35	56	249
Net profit (loss) attributed to Company shareholders	(2,943)	545	149	65	234

*) For further information, see Note 2D to the Interim Consolidated Financial Statements.

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

Breakdown of Financial Information from the consolidated statements of comprehensive income attributable to the Company

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2020	**2019 *)**	**2020**	**2019 *)**	**2019 *)**
	Unaudited				**Audited**
	NIS millions				
Net profit (loss) attributed to Company shareholders	(2,943)	545	149	65	234
Other comprehensive income (loss)					
<u>Amounts not reclassified to profit or loss:</u>					
Loss from an investment in equity instruments measured at fair value through other comprehensive income	(11)	(18)	-	(18)	(19)
Other comprehensive income (loss) attributable to partnerships and investees	(77)	(78)	2	(19)	(88)
Total	(88)	(96)	2	(37)	(107)
<u>Amounts classified or reclassified to profit or loss under specific conditions:</u>					
Reclassified to profit or loss with respect to financial assets at fair value through other comprehensive income	1	-	-	-	-
Loss with respect to cash flow hedges	-	41	-	33	(8)
Transfer to profit or loss for cash flow hedges	-	8	-	8	9
Adjustments for translation of financial statements of foreign operations	(20)	(46)	(33)	(21)	(94)
Other comprehensive income (loss) attributable to partnerships and investees (after tax effect)	496	(409)	(230)	(104)	(558)
Total	477	(406)	(263)	(84)	(651)
Total other comprehensive income (loss) from continuing operations	389	(502)	(261)	(121)	(758)
Total other comprehensive income from discontinued operations	-	100	-	38	23
Total other comprehensive income (loss)	389	(402)	(261)	(83)	(735)
Total comprehensive income (loss) attributed to Company shareholders	(2,554)	143	(112)	(18)	(501)

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

Breakdown of Financial Information from the consolidated statements of cash flows attributable to the Company

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2020	2019	2020	2019	2019
	Unaudited				Audited
	NIS millions				
Cash flows from the Company's operating activities					
Net profit (loss) attributed to Company shareholders	(2,943)	545	149	65	234
Adjustments to reconcile statement of cash flows from the Company's ongoing operations (a)	2,807	567	(266)	273	798
Net cash from (used for) the Company's current operations	(136)	1,112	(117)	338	1,032
Cash flows from the Company's investment activities					
Investments in property, plant and equipment and investment property	(2)	(2)	-	-	-
Proceeds from disposal of financial assets	84	-	1	-	48
Proceeds from sale of investments in investees	207	-	-	-	1,723
Short term deposits, net	31	-	-	-	(31)
Investment in financial assets, net	(13)	(22)	-	(41)	(27)
Proceeds from disposal of investment property	33	65	-	-	65
Long-term deposits	(112)	-	-	-	(70)
Collection of long-term deposits	138	75	-	24	105
Repayment (provision) of loans to others, net	(12)	191	(4)	94	210
Proceeds from sale of oil and gas assets including overriding royalty	80	-	80	-	160
Provision of loans and capital investments of investees, net	(86)	(783)	69	(86)	(2,096)
Net cash from (used for) the Company's investment operations	348	(476)	146	(9)	87
Cash flows from the Company's financing activities					
Issuance of capital	307	-	172	-	-
Dividend paid to shareholders of the Company	-	(260)	-	-	(260)
Short term borrowings from banks and others, net	(551)	68	(308)	236	(127)
Loans from a subsidiary	226	-	226	-	257
Repayment of loans from a subsidiary	(310)	-	(53)		-
Receipt of a bank loan	-	14	-	14	404
Repayment of loans from banks and others	(86)	(134)	-	(128)	(208)
Buy back of debentures	(5)	-	-	-	-
Repayment of debentures	(461)	(709)	(111)	(522)	(1,129)
Net cash used for the Company's financing activities	(880)	(1,021)	(74)	(400)	(1,063)
Exchange differences for cash and cash equivalents	-	(1)	-	(1)	1
Increase (decrease) in cash and cash equivalents	(668)	(386)	(45)	(72)	57
Cash and cash equivalents at the beginning of the period:	685	628	62	314	628
Cash and cash equivalents at the end of the period	17	242	17	242	685

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

Breakdown of Financial Information from the consolidated statements of cash flows attributable to the Company

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2020	2019	2020	2019	2019
	Unaudited				Audited
	NIS millions				
(A) Adjustments for presentation of statement of cash flows from the Company's ongoing operations (a)					
Adjustments for profit and loss items of the Company:					
Depreciation, depletion and amortization	1	3	1	-	3
Loss (profit) from disposal of investment in an investee	127	-	-	-	(66)
Decrease of loans granted, net	19	22	(42)	3	30
Impairment (appreciation) of investments and loans provided, net	132	(48)	(23)	9	(34)
Company's share in the expenses of investees and partnerships *)	2,535	601	(187)	226	998
Impairment of liabilities, net	13	42	11	(7)	52
Change in fair value of financial derivatives, net	1	(31)	(5)	6	(20)
Other revenues (with respect to disposal of gas and oil assets including overriding royalty)	-	-	-	-	(103)
Revaluation of other long-term assets	6	(11)	13	(4)	(11)
Exchange differences for cash balance and cash equivalents, net	1	1	-	1	(1)
Gain from disposal of investment property	(1)	(25)	-	(2)	(23)
Loss (gain) from impairment in investment property	4	3	-	2	(31)
Changes in the Company's asset and liability items:					
Decrease (increase) in other receivables	22	62	(2)	65	33
Increase (decrease) in other accounts payable	(53)	(52)	(32)	(26)	(29)
	2,807	567	(266)	273	798
*) Net of dividends received	180	1,343	-	386	1,343
(B) Company's significant non-cash activities					
Dividend receivable from investees and partnerships	-	2	-	2	6
Acquisition of Company shares by a subsidiary partnership	60	97	-	90	111
Investment in a financial asset as a result of distribution in kind	-	-	-	-	83
Sale of investment property against loan provided	-	39	-	-	39
Repayment of a liability to a bank against the sale of shares in swap transactions	-	-	-	-	132
Disposal of subsidiary against provision of a loan	-	-	-	-	152
Investment in a financial asset as a result of distribution in kind	-	83	-	83	-

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

Breakdown of Financial Information from the consolidated statements of cash flows attributable to the Company

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2020	2019	2020	2019	2019
	Unaudited				Audited
	NIS millions				
(c) Additional information on cash flows					
Cash paid by the Company during the period for:					
Interest	237	274	80	100	
Cash paid by the Company during the period for:					
Interest	1	12	-	-	
Taxes	-	-	-	-	
Dividends	180	1,344	-	387	

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

NOTE 1 – GENERAL

This separate financial information was drafted in a condensed format pursuant to the provisions of Article 38D of the Securities Regulations (Periodic and Immediate Reports), 1970. This separate financial information should be reviewed in conjunction with the separate financial information to the annual financial statements as of December 31, 2019, and for the year then ended and their accompanying notes, and in conjunction with the interim consolidated financial statements as of September 30, 2020 ("Interim Consolidated Financial Statements").

A. The COVID-19 crisis and the decline in oil and gas prices

In December 2019, the Covid-19 pandemic broke out in China. In the reporting period, the virus spread to many countries around the world and in March 2020, it was declared a pandemic by the World Health Organization (“the Covid-19 Crisis”). The spread of Covid-19 has caused widespread morbidity and mortality in many countries. Due to the Covid-19 Crisis, many countries have imposed and are continuing to impose significant restrictions that included and/or include, among other things, self-isolation, restrictions on traffic and transportation (including flights), and closure and reduction of business activity. The crisis and the associated restrictions have caused a significant slowdown in global economic activity and sharp declines and fluctuations in capital markets around the world. Following the decline in business activity, there has been a slump in demand for oil products. Moreover, in March 2020, the Russia-Saudi Arabia oil price war was reflected in an increase in oil production compared to the decline in demand. These events resulted in plummeting oil and natural gas prices in some countries. However, agreements have recently been reached between countries to reduce the volume of daily oil production in the coming months. In addition, in the latter part of the year, many countries began adopting strategies for exiting the restrictions and controlled gradual returning to routine. In this context, it should be noted that in 2020 and shortly before the approval date of the financial statements, oil prices were highly volatile, and, at its lowest point, the Brent oil price was USD 16 per barrel and shortly before the approval date of the financial statements, with further market recovery, the Brent oil price is USD 48 per barrel (as at December 31, 2019 the price was USD 65 per barrel).

As at the approval date of the financial statements, there is significant uncertainty regarding when the pandemic will be contained and/or will break out again and the continuation and/or deepening of the global economic crisis, and future oil and natural gas prices. However, recently, a number of companies and entities announced significant progress in the development of a Covid vaccine, which, after approval for use, may curb the pandemic.
Since the Group’s main activity is in the energy sector, if oil and natural gas prices remain at their current low levels over time, this could also in the future have a material adverse effect on the Group's operating results, on the value of its assets (marketable and non-marketable), capital, cash flows from its operating activity, as well as on its ability to dispose of assets and on the expected considerations from the disposals, and on its ability to raise additional sources of financing and/or financing costs. It is further noted that continuation of the crisis may result in a decline in local and global demand for the Group’s products, and impairment of the economic robustness of the Group’s customers, partners and suppliers.
For information regarding assessments of impairment of assets and amortization recorded in the reporting period, see Notes 3 and 5 to the Interim Consolidated Financial Statements. In this context, it should be noted that the estimates used by the Group for the assessments may be volatile, among other things, due to the aforesaid uncertainty. The Group will continue to review its estimates and update them according to developments in connection with the crisis, its effect on the economy in Israel and globally, and its effect on prices of oil and natural gas.

In addition, it should be noted that in view of the economic crisis in global markets and the sharp decline in oil and gas prices in the first nine months of 2020, there was a very significant decline in the trading value of the shares of the Company and its investees (including the participating units of Delek Drilling - Limited Partnership (“Delek Drilling”), which resulted in significant impairment of the Group's financial position and its liquid resources, mainly due to the fact that some of these shares served as collateral for the credit facilities provided to the Group. As at date of approval of the financial statements the Group repaid in full the credit facilities that were provided and that were mainly secured with Delek Drilling participating units. For information about the Group's financial position, see section B below concerning the financial position of the Group. It is further noted that recently there has been a significant increase in the marketable value of the Company's shares and the participating units of Delek Drilling.

NOTE 1 – GENERAL (CONTD.)

B. Financial position of the Group

1. General

- As at September 30, 2020, the Company (separate) has a working capital deficit of NIS 6.1 billion, and the Group (consolidated) has a working capital deficit of NIS 4.9 billion, mainly due to classification of debentures in the amount of NIS 4.8 billion to short term. This classification was mainly due to the fact that some of the waiver clauses included in the amendment of the Deed of Trust for the debenture series dated June 2020 (see Note 10 to the Interim Consolidated Financial Statements) are for a term less than twelve months from the date of the financial statements.

  It should be noted that, in addition to the aforesaid regarding the liabilities of the Company (separate), the Company provided certain guarantees to banks and other institutions for loans and credit taken out by certain subsidiaries (“the Staff Companies"). Based on the current repayment schedules (taking into consideration the agreements with banks, debenture holders and others), in the period from October 2020 through September 2021, the Company and the Staff Companies have repayments (principal and interest) amounting to NIS 2.1 billion and in the period from October 2021 through September 2022, for an additional NIS 2.1 billion.

- As at September 30, 2020, liabilities (short- and long-term) to financing entities (mainly to debenture holders and banks and other institutions) of the Company and the Staff Companies amount to NIS 6.7 billion, against the financial assets (short- and long-term, mainly cash, deposits and marketable securities measured at fair value) of the Company and the Staff Companies as at that date in the amount of NIS 139 million.

- Close to the date of approval of the financial statements (following the exercise and securitization of assets and receipt of a dividend from an investee) the foregoing liabilities amount to NIS 6.1 billion and, on the other hand, the foregoing financial assets (mainly cash, marketable securities measured at fair value and deposits pledged in favor of the debenture holders) amount to NIS 312 million. For information about the updated collateral for these liabilities (taking into consideration agreements with banks, debenture holders, and others as described above), see Note 10 to the Interim Consolidated Financial Statements

NOTE 1 – GENERAL (CONTD.)

B. Financial position of the Group (contd.)

2. Decrease in oil and gas prices and implications on financial covenants

- As set out in section A above, in the reporting period, the Covid-19 Crisis broke out (and it is still ongoing), which resulted in a significant slowdown in the local land global economy and a significant drop in oil and gas prices (having an adverse effect on the Group's main activity).

  It should be noted that, as a result of the above, from the beginning of 2020 until the approval date of the financial statements, the following main events occurred:

  - There was a significant decrease in the TASE value of the shares of the Company and its investees (mainly Delek Drilling). Nonetheless, in recent weeks there has been a substantial rise in the value of Delek Drilling participating units and the Company's shares.
  - There was an increase in returns from the Company's debentures (traded shortly before the approval date of the financial statements at substantial double-digit returns), which could make it difficult in practice to refinance/raise additional debt and debentures. Nonetheless, in recent weeks there has been a substantial decline in the returns on the Company's debentures.
  - There was a significant decrease in capital attributable to the Company's shareholders, which amounted to NIS 1.5 billion as at September 30, 2020 (as at December 31, 2019, NIS 4.1 billion). As provided in Note 10 to the Interim Consolidated Financial Statements, in accordance with the provisions of the revised deed of trust, the capital attributed to the Company's shareholders as at June 30, 2021, should amount to a minimum amount of NIS 1.6 billion. It should be noted that the continuation of the Covid-19 pandemic and further declines in oil prices and/or the dollar exchange rate and/or hasty disposal of assets may adversely affect the balance of capital attributed to the Company's shareholders. On the other hand, future capital raising, an increase in oil prices, and continued improvement in the results of the investees will lead to an increase in capital attributed to the Company's shareholders.
  - As at the date of approval of the financial statements, the Company and its staff companies have repaid the bank debts in full, with the exception of a debt to a foreign bank in the amount of USD 37 million and the Group intends to repay an additional amount of USD 30 million from proceeds received from the sale of Delek Israel. Following foregoing repayments, the balance of the loan from the foreign bank will amount to USD 7 million.

- Following the spread of Covid-19, which led to sharp volatility in the capital markets in Israel and the world and plummeting oil and gas prices, there was an impairment in market value of the collateral (mainly Delek Drilling participating units) provided by the Company and its subsidiary Delek Energy Systems Ltd. (" Delek Energy") in favor of the credit providers. Under the provisions of the financing agreements, the impairment in the collateral against the balance of the debt to the credit providers fell below the rates set out in the various loan agreements, and as a result, at certain dates in 2020, the Company and Delek Energy were required to provide (pledge) additional collateral and/or to deposit cash (under the provisions of any agreement) in favor of the credit providers to meet the requirements of the agreements and/or to attempt to avoid a call for immediate repayment of the debt. It should also be noted that close to the date of approval of the financial statements, the Group repaid the balance of the foregoing debts to the banks in full. In this context, it is noted that:

NOTE 1 – GENERAL (CONTD.)

B. Financial position of the Group (contd.)

2. Decrease in oil and gas prices and implications on financial covenants (contd.)

1) For a specific loan provided to Delek Energy by a foreign bank in 2013, with a balance of USD 57 million in March 2020, secured at that time by a lien on participating units representing 15% of the capital of Delek Drilling in favor of the foreign bank, in March 2020, the foreign bank claimed that in view of the exceptional decline in the price of Delek Drilling units, it (allegedly) has grounds to call for immediate repayment of the debt. Accordingly, on March 15, 2020, the foreign bank entered into an agreement with a third party for the sale of 12% of Delek Drilling's participating units. Under the settlement arrangement between Delek Energy, the foreign bank, and a third party, which was completed on March 26, 2020, Delek Energy acquired 7% of the participating units of Delek Drilling (out of the 12%) for a consideration of USD 35.8 million. The remaining 3% of Delek Drilling's participating units was released back to Delek Energy.

   After the completion of the aforesaid, the Group holds 55% of the capital of Delek Drilling. Following the aforesaid (net disposal of 5% of the capital of Delek Drilling), the capital attributable to the Company's shareholders decreased by NIS 329 million. For further information, see Note 3C to the Interim Consolidated Financial Statements.

2) With regard to the loan of NIS 100 million backed by Delek Drilling's participating units, provided by an Israeli bank ("the Bank") to Delek Energy and guaranteed by the Company, on March 31, 2020, the Bank informed Delek Energy and the Company that the participating units that had been pledged in its favor had fallen below the value set in the agreement and since additional participating units had not been pledged to it in accordance with the terms of the loan, it seeks to call for immediate repayment of the loan and to immediately exercise the collateral provided in its favor.
   In discussions between the Company and Delek Energy with the Bank, the Bank sent an update letter stating the terms and requirements for postponing the exercise of the collateral. To avoid a situation in which the Bank exercises the participating units that were pledged to it, Delek Energy pledged additional participating units in favor of the Bank (at a lower rate than that stipulated in the loan terms), even though Company and Delek Energy believe that under the special circumstances, partially due to the Covid-19 Crisis, the Bank does not have the right to demand additional collateral and/or immediate repayment of the loan. Following the foregoing addition, the participating units were pledged in favor of the bank constituting 5.7% of the share capital of Delek Drilling (compared with 4.4% of the share capital of Delek Drilling prior to the addition).

   The Bank gave Delek Energy until April 30, 2020 to fulfill the requirements in the letter of suspension of exercise, and on this date, if the requirements have been fulfilled, the financing facility will be provided again. As at April 30, 2020, the Company was unable to reach agreements with the Bank that would, at that time, ensure the non-exercise of the pledged participating units. Accordingly, on April 30, 2020, Delek Energy filed a motion for a temporary injunction ordering the Bank to refrain in any way from exercising the participation units pledged in its favor (among other things, in view of the Company's position that it has no grounds to call for immediate repayment). Following the court hearings, in May 2020, Delek Energy repaid its debt to the bank.

NOTE 1 – GENERAL (CONTD.)

B. Financial position of the Group (contd.)

2. Decrease in oil and gas prices and implications on financial covenants (contd.)

3) With regard to the loan of USD 200 million taken by a wholly-owned foreign subsidiary (DKL Energy), as set out in Note 10F(3) to the Consolidated Financial Statements, and in view of the fact that the loan is not backed by marketable assets (other than 51% of the share capital of Delek North Sea Limited ("DNSL") and the entire share capital of Ithaca, which are not a traded company), the loan agreement sets out margin call events that included a decrease of 20% in the index of benchmark companies (as defined in the loan agreement) or in the FTSE-100 Index, where in such event, the borrower will be required to deposit cash in the amount of the decrease in value as defined in the agreement. Grounds for early repayment under the loan agreement included a 50% decrease in the index of benchmark companies, a decrease of 50% in the FTSE-100 Index, and a decrease of 50% in Company's shares, and a downgrade in Maalot's rating of the Company to BBB (plus) or below, represents grounds for repayment of half of the loan amount. The loan was provided under limited recourse terms and the Company provided the lender a guarantee for the borrower's obligation to unpaid accrued interest, the first margin call, and exceptional violation events.

In 2020, DKL Energy failed to comply with specific financial covenants in connection with the loan, that gave the bank the right to call for immediate repayment of part/or of its debt. On April 7, 2020, the Bank signed an amendment to an agreement according to which the cash deposit amounting to USD 43.3 million would have been used for partial repayment of the loan and extension of the cure period for the call for immediate repayment, in May 2020, another amount of USD 20 million was repaid due the dividend received from Ithaca (the balance of the loan amounted to USD 137 million as at September 30, 2020).

On August 27, 2020, wholly-owned foreign subsidiaries of the Group, DKL Energy and Delek North Sea Limited ("DNSL" and jointly "the Foreign Subsidiaries") signed an amendment and addition to the agreement with a foreign bank in connection with the loan ("the Amended Agreements", which will come into effect after completing registration of the collateral in October 2020. According to the Amended Agreements, a waiver of the non-compliance with financial covenants condition was received from the foreign bank (due to which, until October 2020, a waiver was granted for limited periods that were extended from time to time). There was no change in the original repayment dates of the principle. There will be a 2% increase in the interest rate on the loan up to November 2020, followed by further 2% increase. The existing collateral remain in place, and collateral of the remaining DNSL shares was added, such that 100% of the shares of DNSL, the parent company (100%) of Ithaca were pledged, and a loan and capital note between DKL Energy and DNSL will be pledged. Under the Amended Agreements, there was no change in events underlying the Company's guarantee.

In addition, a negative pledge was provided on 6% of the total participating units of Delek Drilling, in the same number of units as a negative lien provided to another foreign bank.

Subsequent to the balance sheet date, in November 2020, an additional amount of USD 100 million was repaid on the loan in view of a dividend received from Ithaca. The balance of the loan after the foregoing repayment amounted to USD 37 million. The Group intends to repay an additional USD 30 million, so that once this repayment is made, the remaining balance of the bank loan will amount to USD 7 million only.

NOTE 1 – GENERAL (CONTD.)

B. Financial position of the Group (contd.)

2. Decrease in oil and gas prices and implications on financial covenants (contd.)

3) (contd.)

Liabilities, financial covenants, and grounds for immediate repayment

The Amended Agreements eliminated the margin call events that were set out in the original agreement and removed criteria relating to ratings and the Company's share price and various indexes described above.
Under the Amended Agreements, the undertaking to comply with financial covenants remained unchanged, according to which the ratio of total net debt to net profit before taxes and financing, net of depreciation and amortization and net of appraisal and exploration expenses (EBITDAX) does not exceed 2.5. A review of this ratio is required at each calculation date (March 31, June 30, September 30, and December 31 of each year). As at September 30, 2020, this ratio was 2.0.

Under the Amended Agreements, the lender has the right to call for immediate repayment of the loan (after the cure period), among other things, in the event of default, non-compliance with the dividend obligations set out above, non-compliance with the financial covenants set out above, changes in inter-company loans in the Foreign Subsidiaries, non-compliance with undertakings under the agreement, events of change in control of assets, events of insolvency and liquidation in Delek Group companies, and impairment of the closing value of the S&P Global Oil Index below the level set in the agreement. The right to call for immediate repayment was also determined in the event of cross default within the borrower group (DKL Energy and subsidiaries and its investees) and in the event of the materialization of this right.

- On March 23, 2020, Midroog Ltd. (“Midroog”) downgraded the rating of the Company’s debentures from A2.il to Ca.il (down 14 ratings), due to Midroog’s assessment of a high probability of default. The Company disputed the rating report of Midroog and its result. On April 1, 2020, Maalot downgraded the Company’s debentures from ilA to ilBBB (a downgrade of four ratings), keeping it on CreditWatch with negative outlook, due to weak liquidity reflected in a material gap between short-term sources and uses. Following the downgrade, the annual interest rate of some of the debenture series increased by 1%. It is further noted that on May 5, 2020, Maalot downgraded the Company's debenture rating to ilCCC with negative outlook due to the increased risk of default. On September 30, 2020, Maalot updated the foregoing rating to ilCCC with developing outlook.

  In addition, further to Note 19 to the Annual Consolidated Financial Statements, a downgrade in the rating by Midroog to below (BBB-) of Maalot or an equivalent rating for more than 21 business days represented grounds to call for immediate repayment of the debentures. In this context, it should be noted that on April 13, 2020, the Company announced the termination of its relations with Midroog and that Midroog will cease to serve as the Company’s rating company from that date. The Company's series of debentures will continue to be rated by Maalot.

- The deeds of trust for the debentures contain causer for immediate repayment in the event of a change in control (fall below 30%) that may adversely affect the Group’s solvency.

NOTE 1 – GENERAL (CONTD.)

B. Financial position of the Group (contd.)

2. Decrease in oil and gas prices and implications on financial covenants (contd.)

3) (contd.)

- Further to the above, regarding the impairment of the various collaterals, the rating downgrade, the deterioration in the ratios of Company's debt to asset value, and the going concern remark in the Annual Financial Statements, in the reporting period, there were events that are considered or that may be considered to be events of default for some of the liabilities of the Company and the Staff Companies towards the financial institutions and the debenture holders. For information about the agreements and the amendment to the deeds of trust that were approved on June 17, 2020 with the Company's debenture holders, and the standstill agreement with some of the banks, under which the grounds for calling for immediate payment were revised and/or frozen, see section 4 below and Note 10 to the Interim Consolidated Financial Statements. In this context, it should be noted that in under the provisions of the amendment to the deed of trust, it was determined that as from June 1, 2021, the debenture holders will have the right to call for immediate repayment if the debenture rating falls below BBB-.

- At September 30, 2020, registration of the collateral for one of the banks has not yet been completed, and therefore the amendment and addendum to the loan agreement did not take effect, however the Group had the foreign bank's waiver of the non-compliance condition. As at the date of approval of the financial statements, the amendment and addendum to the loan agreement have come into effect. For further information, see section B2(3) above

3. Disposal of assets and investments and raising capital

- In view of the sharp decline in the Company's cash balance and in order to meet current debt repayments, in March 2020, the Company disposed of the balance of its holdings (20%) in the shares of IDE Holdings Ltd. ("IDE") for proceeds of NIS 169 million (see Note 3B to the Interim Consolidated Financial Statements) and an investment property in Haifa for an amount of NIS 33 million. In addition, in April 2020, the Company disposed of the balance of its holdings in the shares of Cohen Development for proceeds of NIS 207 million (see Note 3D to the Interim Consolidated Financial Statements). In July 2020 the transaction for the sale of the rights of the Company and Delek Energy to overriding royalties in the Karish and Tanin reservoirs was concluded for a consideration of NIS 318 million (see Note 5J to the Interim Consolidated Financial Statements)

  In July 2020, Delek – The Israel Fuel Corporation Ltd. (Delek Israel) completed the transaction for the sale of its holdings in the Pi Glilot terminals for a consideration of NIS 720 million (see Note 3E1 to the Interim Consolidated Financial Statements) and a binding detailed agreement was signed for the disposal of Delek Israel's holdings in IPP Delek Ashkelon Ltd. and IPP Delek Sorek Ltd., which hold power plants (for further information, see Note 3E to the Interim Consolidated Financial Statements).

  In July 2020, Delek Israel distributed a dividend to the Group in the amount of NIS 150 million.

NOTE 1 – GENERAL (CONTD.)

B. Financial position of the Group (contd.)

3. Disposal of assets and investments and raising capital (contd.)

Subsequent to the balance sheet date, in October, 2020, the Group sold 70% of the share capital of Delek Israel for NIS 525 million. On the closing date of the transaction, the Buyer paid an amount of NIS 450 million in cash, against the transfer of 60% of Delek Israel's share capital to the Buyer. The Buyer will transfer the remaining consideration in an amount of up to NIS 75 million by June 30, 2021 for up to an additional 10% of Delek Israel's share capital. For further information, see Note 3E(4) to the consolidated interim financial statements.

- In April and May 2020, the Company informed the banks of early termination of all the swap transactions in connection with The Phoenix shares. The swap shares (25,000,000 shares) were sold by the banks in off-floor transactions for an amount of NIS 413 million. On completion of the transactions, a cash amount of NIS 143 million, which was pledged to the banks to secure the transactions, as is standard in this type of transaction, was released in favor of the Company. For further information, see Note 3A(3) to the Interim Consolidated Financial Statements.

- In May and August 2020, the Group completed raising of capital (shares and options) in the amount of NIS 137 million and NIS 176 million, respectively. For further information, see Note 7 to the Interim Consolidated Financial Statements. Furthermore, the Company is required to raise additional capital in accordance with the revised deed of trust for the debenture series, for further information, see Note 10 to the Interim Consolidated Financial Statements.

- Subsequent to the balance sheet date, on October 28, 2020, Delek Overriding Royalty Leviathan Ltd. ("the Issuer"), a special purpose company of Delek Energy, completed the issuance of debentures to foreign and Israeli classified investors in the amount of USD 180 million (gross)), which was secured by a lien on the rights to overriding royalties from the Leviathan project that were transferred to the Issuer. For further information, see Note 5R to the Interim Consolidated Financial Statements.

- In addition, the Group is assessing the disposal of additional assets (including with regard to the Group's investment in Ithaca) and obtaining loans, among other things, as part of the agreements signed with the debenture holders, as set out in section 4 below.

NOTE 1 – GENERAL (CONTD.)

B. Financial position of the Group (contd.)

4. Discussions and agreements with representatives of the debenture holders and with banks on the outline for reinforcing capital and collateral

In March 2020, the general meeting of the Company's debenture holders approved the establishment of a joint representation on their behalf and joint legal and economic advisors for all debenture series, with the aim of assisting the debenture holders and trustees and to act as their representative in the assessment of the Company’s financial position, the alternatives, and the actions available to the debenture holders to protect their rights and in negotiations and proceedings with the Company and/or its controlling shareholder. The Company and the representation held discussions, with the aim of regulating the terms of the debentures and the Company's obligations to them. In addition, in April-June 2020, the Company held negotiations with certain banks, in view of breaching of the covenants, with the aim of rearranging the terms of the loans that were provided and the Company’s obligations towards them. In June 2020, amendments to the deeds of trust for the debenture holders and the agreement with the banks were approved. Under the agreements, the Company undertook to raise capital, dispose of assets, pledge assets and investments in favor of the debenture holders and the banks, and comply with various financial covenants, some of which were revised in the agreements. The agreements set out events and covenants, which, if breached, will allow the debenture holders and the banks to call for immediate repayment of the Company's liabilities to them. As part of this, it was stipulated that, among other things, as of June 1, 2021, the ratings of the Company’s debentures will not drop below BBB- and the Company was required to comply with minimum equity and equity to balance sheet ratios based on various parameters that increase incrementally over the years. With respect to 2021, it was determined that as of the financial statements for the second quarter of 2021 through until and including the annual financial statements for 2021, the Company is required to maintain minimum equity of NIS 1.6 billion and that the equity to the balance sheet ratio (separate) will not be less than 12.5%. For further information, see Note 10 to the Interim Consolidated Financial Statements.

It is noted that should the Company anticipate that it will not comply with the financial criteria, it intends to act to obtain a waiver and/or extension and/or amendment of the relevant criteria.

5. Repayments to debenture holders and banks and pledge of assets

In 2020 and shortly before the approval date of the financial statements, the Company and its staff companies repaid their liabilities to the debenture holders and the banks in full, in accordance with the agreements with them, including in connection with the agreements set out in section 4 above (in a total amount of NIS 840 million to the relevant banks). For further information, see Note 10 to the Interim Consolidated Financial Statements.

6. Conclusion

Under the agreements with the debenture holders and financial institutions, and for the Company and its staff companies to meet repayment of their liabilities, the Company was and is required to raise a substantial amount of capital, dispose of assets and investments on a substantial scale, to raise debt based on assets and investments, and receive dividends from investees. The amounts of these sources are required for the repayment of the Company's liabilities, which reach substantial amounts (by the end of 2020, the Company is required to repay liabilities to the debenture holders, financial institutions and others, amounting to NIS 0.3 NIS billion (most of which is already in deposits pledged in favor of the trustee for the debenture holders); in 2021, NIS 1.3 billion; and in the first nine months of 2022, NIS 1.7 billion).

NOTE 1 – GENERAL (CONTD.)

B. Financial position of the Group (contd.)

6. Conclusion (contd.)

As aforesaid, repayment of the liabilities of the Company and the staff companies at their due date is subject to their ability to dispose of assets and investments on a significant scale; raise debt and capital on a significant scale, some of which is required in the near future and is greatly affected by oil and natural gas prices; and receive dividends from investees. Furthermore, as aforesaid, the Company is also required to comply with the terms of the agreements and covenants with the debenture holders (and with financial institutions), so that they will not have cause to call for immediate repayment of the liabilities of the Company and the staff companies towards them (mainly upgrading of the ratings of the debentures and minimum equity and ratios as set out in section 4 above).

It should be noted that the Company's ability to receive a substantial amount of dividend from investees refers mainly to the receipt of dividends from Delek Drilling and Ithaca. The ability of these companies to distribute dividends is subject, among other things, to meet financial covenants, and to obtain the consent of the financing entities and/or their ability to generate significant available cash flows, which is also dependent on the demand for oil and natural gas and further increase in the price of oil and natural gas. Also see section C below with regard to completing the refinancing by Delek Drilling with respect to the Leviathan reservoir in the amount of USD 2.25 billion. Subsequent to the balance sheet date, as set out above, Ithaca distributed a dividend in a total amount of USD 100 million and in addition, Delek Drilling announced a dividend of USD 65 million (the Group’s share is USD 36 million).

The Company acted and is working to realize its plans, including the raising of capital, disposal of substantial assets and investments, raising of debt based on assets and receipt of dividends from investees, in order to meet its various obligations. The Company believes that it is highly likely that its plans will be realized, and in this regard it should be noted, as set out above, that the significant and important measures that the Group was able to complete within a short period in accordance with the outline enabled it to make early repayments of substantial amounts to the banks and to the debenture holders on time and as required. Nonetheless, since completion of the Company's plans is not under its sole control and depends, as described above, on the materialization of several incremental events, some of which must occur within relatively short periods and/or in a significant scope, there is uncertainty as to the actual fulfilment of these plans and concerning the Company’s compliance with the covenants set under the agreements with the debenture holders (if the Company’s plans fail). These factors, together with the other factors described above, raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include adjustments for the values of assets and liabilities and their classification, which might be required if the Company is unable to continue as a going concern.

C. Financial positions of subsidiaries

1. Delek Drilling

- In August 2020, Delek Drilling (through a special purpose company) issued debentures in an amount of USD 2.25 billion (“Leviathan Bond”, for further information see Note 5K to the interim consolidated financial statements) which were used primarily to repay short-term loans of USD 2 billion.

- With respect to the Covid-19 Crisis, it should be noted that in certain periods in 2020, there was a decrease in demand and accordingly in sales of the natural gas produced from the Leviathan and Tamar reservoirs (“the Reservoirs”), compared with the Partnership's previous forecasts that were revised in July 2020.

NOTE 1 – GENERAL (CONTD.)

C. Financial positions of subsidiaries (contd.)

1. Delek Drilling (contd.)

As at the approval date of the financial statements, it is not possible to estimate the extent and duration of the Covid-19 Crisis and therefore it is difficult to estimate, at this stage, the effect it will have on demand and sales from the Reservoirs in the coming years. If the Covid-19 Crisis continues, it is liable to adversely affect the Partnership and adversely affect various aspects of its operations, among others, a decline in demand for energy products and drop in oil and natural gas prices in international and domestic markets, decreased demand for natural gas in markets relevant to the Partnership and to adversely impact the Partnership's revenues from the Reservoirs and impair the financial robustness of the Partnership's customers and partners. It should be noted that, as at the approval date of the financial statements, there is no impairment to operation of the reservoirs.

However, it should be noted that in the third quarter of 2020, sales from the reservoirs increased compared to sales in the first two quarters of 2020.

2. Ithaca

The COVID-19 Crisis and the decline in oil and gas prices had and could have a material effect on the results of Ithaca's operations and the value of its assets and its liquidity (including its ability to distribute a dividend to its shareholders). The management of Ithaca is closely following the crisis and the market developments and is taking steps and formulating plans to minimize the implications.

In this context, measures were taken to isolate and separate work teams to the minimum required level, reduce capital investment in 2020, and reduce operating and production costs in substantial amounts. It is further noted that Ithaca has hedge transactions on oil and gas prices for 2020-2022 in a material scope (see Note 8 to the Interim Consolidated Financial Statements). The management of Ithaca believes that Ithaca will be able to continue its planned activities and repay its obligations on time. For further information see Notes 3, 5 and 8 to the Interim Consolidated Financial Statements.

In May 2020, Ithaca distributed a dividend in the amount of USD 20 million (NIS 70 million). Furthermore, subsequent to the balance sheet date, in November 2020, Ithaca distributed another dividend amounting to USD 100 million (NIS 340 million).

NOTE 2 – INVESTMENT PROPERTY

For further information concerning disposal of investment property see Note 4 to the Interim Consolidated Financial Statements.

NOTE 3 – CONTINGENT LIABILITIES

There are certain contingent claims against the Company and certain investees for significant sums, including petitions to grant class actions, that might amount to anywhere from hundreds of million to several billions of shekels. In some cases, it is not possible to assess their outcome at this stage, and therefore no provision was recorded in the financial statements as set forth in Note 6 to the Interim Consolidated Financial Statements.

NOTE 4 – CAPITAL

With regard to the Company's issue of shares and options exercisable for Company shares and concerning the purchase of Company shares by subsidiaries, see Note 7 to the Interim Consolidated Financial Statements.

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Delek Group Ltd.

Pro Forma Consolidated Interim Financial Statements

September 30, 2020

Unaudited

Contents

Pro Forma Consolidated Statement of Income

	Nine months ended September 30, 2020		
	Actual data	Pro forma reconciliations	Pro forma data
		Unaudited	
		NIS millions (other than net loss per share)	
Revenue	5,037	-	5,037
Cost of revenues	2,729	-	2,729
Gross profit	2,308	-	2,308
General and administrative expenses	184	-	184
Group share in losses of operating associates, net	(6)	-	(6)
Other expenses, net	(3,752)	-	(3,752)
Operating loss	(1,634)	-	(1,634)
Financing income	112	-	112
Financing expenses	(1,766)	-	(1,766)
	(3,288)	-	(3,288)
Group share in profits of associates, net	3	-	3
Loss before taxes on income	(3,285)	-	(3,285)
Tax benefit	(926)	-	(926)
Loss from continuing operations	(2,359)	-	(2,359)
Loss from discontinued operations, net	(333)	-	(333)
Loss	(2,692)	-	(2,692)
Attributable to:			
Shareholders of the Company	(2,943)	-	(2,943)
Non-controlling interests	251	-	251
	(2,692)	-	(2,692)
Loss per share attributable to shareholders of the Company (NIS)			
Basic loss from continuing operations	(207.6)	-	(207.6)
Basic loss from discontinued operations	(26.5)	-	(26.5)
Basic loss	(234.1)	-	(234.1)
Diluted loss from continuing operations	(207.6)	-	(207.6)
Diluted loss from discontinued operations	(26.5)	-	(26.5)
Diluted loss	(234.1)	-	(234.1)

November 25, 2020			
Date of approval of the financial statements	Gabriel Last Chairman of the Board of Directors	Idan Wallace CEO	Tamir Polikar Executive VP and CFO

The accompanying notes are an integral part of the pro forma consolidated financial statements.

Pro Forma Consolidated Statements of Comprehensive Income

	Nine months ended September 30, 2020		
	Actual data	Pro forma reconciliations	Pro forma data
		Unaudited	
		NIS millions	
Loss	(2,692)	-	(2,692)
Other comprehensive income (loss) (net of tax effect):			
Amounts not reclassified to profit or loss:			
Loss from investment in equity instruments measured at fair value through other comprehensive income	(132)	-	(132)
Amounts classified or reclassified to profit or loss under specific conditions:			
Profit for financial assets at fair value through other comprehensive income	1	-	1
Profit for cash flow hedges	892	-	892
Transfer to profit or loss for cash flow hedges	(498)	-	(498)
Foreign currency translation differences for foreign operations	105	-	105
Transfer to statement of income for foreign currency translation differences for foreign operations	28	-	28
Other comprehensive loss attributable to associates, net	(2)	-	(2)
Total	526	-	526
Total other comprehensive income from continuing operations	394	-	394
Total other comprehensive income from discontinued operations, net	-	-	-
Total other comprehensive income	394	-	394
Total comprehensive loss	(2,298)	-	(2,298)
Attributable to:			
Shareholders of the Company	(2,554)	-	(2,554)
Non-controlling interests	256	-	256
	(2,298)	-	(2,298)

The accompanying notes are an integral part of the pro forma consolidated financial statements.

Pro Forma Consolidated Statement of Income

	Three months ended September 30, 2020		
	Actual data	Pro forma reconciliations	Pro forma data
	Unaudited		
	NIS millions (other than net loss per share)		
Revenue	1,705	-	1,705
Cost of revenues	883	-	883
Gross profit	822	-	822
General and administrative expenses	57	-	57
Group share in losses of operating associates, net	(7)	-	(7)
Other expenses, net	16	-	16
Operating profit	742	-	742
Financing income	23	-	23
Financing expenses	(508)	-	(508)
Profit before taxes on income	257	-	257
Taxes on income	29	-	29
Profit from continuing operations	228	-	228
Profit from discontinued operations, net	68	-	68
Net profit	296	-	296
Attributable to:			
Shareholders of the Company	149	-	149
Non-controlling interests	147	-	147
	296	-	296
Profit per share attributable to shareholders of the Company (NIS)			
Basic earnings from continuing operations	5.7	-	5.7
Basic earnings from discontinued operations	4.8	-	4.8
Basic earnings	10.5	-	10.5
Diluted earnings from continuing operations	5.7	-	5.7
Diluted earnings from discontinued operations	4.8	-	4.8
Diluted earnings	10.5	-	10.5

The accompanying notes are an integral part of the pro forma consolidated financial statements.

Pro Forma Consolidated Statement of Comprehensive Income

	Three months ended September 30, 2020		
	Actual data	Pro forma reconciliations	Pro forma data
		Unaudited	
		NIS millions	
Net profit	296	-	296
Other comprehensive income (loss) (net of tax effect):			
Amounts not reclassified to profit or loss:			
Profit from investment in equity instruments measured at fair value through other comprehensive income	7	-	7
Amounts classified or reclassified to profit or loss under specific conditions:			
Loss from cash flow hedges	(93)	-	(93)
Transfer to profit or loss for cash flow hedges	(119)	-	(119)
Foreign currency translation differences for foreign operations	(64)	-	(64)
Transfer to statement of income for foreign currency translation differences for foreign operations	-	-	-
Total	(276)	-	(276)
Total other comprehensive loss from continuing operations	(269)	-	(269)
Total other comprehensive loss from discontinued operations, net	-	-	-
Total other comprehensive loss	(269)	-	(269)
Total comprehensive income	27	-	27
Attributable to:			
Shareholders of the Company	(112)	-	(112)
Non-controlling interests	139	-	139
	27	-	27

The accompanying notes are an integral part of the pro forma consolidated financial statements.

Pro Forma Consolidated Statements of Income

	Nine months ended September 30, 2019		
	Actual data	Pro forma reconciliations	Pro forma data
	Unaudited		
	NIS millions (Other net earnings per share)		
Revenue	1,946	2,754	4,700
Cost of revenues	1,056	1,730	2,786
Gross profit	890	1,024	1,914
Selling, marketing and gas station operating expenses	-	-	-
General and administrative expenses	91	32	123
Group share in losses of operating associates, net	(6)	-	(6)
Other revenues (expenses), net	6	(9)	(3)
Operating profit	799	983	1,782
Financing income	433	147	580
Financing expenses	(738)	(331)	(1,069)
	494	799	1,293
Group share in profits of associates, net	5	-	5
Profit before taxes on income	499	799	1,298
Taxes on income	74	413	487
Profit from continuing operations	425	386	811
Profit from discontinued operations, net	559	-	559
Net profit	984	386	1,370
Attributable to:			
Shareholders of the Company	545	386	931
Non-controlling interests	439	-	439
	984	386	1,370
Net earnings per share attributable to shareholders of the Company (NIS)			
Basic earnings from continuing operations	19	33.1	52.1
Basic earnings from discontinued operations	27.7	-	27.7
Basic earnings	46.7	33.1	79.8
Diluted earnings from continuing operations	19	33.1	52.1
Diluted earnings from discontinued operations	27.7	-	27.7
Diluted earnings	46.7	33.1	79.8

*) Restated, see Note 2B

The accompanying notes are an integral part of the pro forma consolidated financial statements.

Pro Forma Consolidated Statements of Comprehensive Income

	Nine months ended September 30, 2019		
	Actual data	Pro forma reconciliations	Pro forma data
	Unaudited		
	NIS millions		
Net profit	984	386	1,370
Other comprehensive income (loss) (net of tax effect):			
<u>Amounts not reclassified to profit or loss:</u>			
Loss from investment in equity instruments measured at fair value through other comprehensive income	(149)	-	(149)
<u>Amounts classified or reclassified to profit or loss under specific conditions:</u>			
Profit for cash flow hedges	211	-	211
Transfer to profit or loss for cash flow hedges	(69)	-	(69)
Foreign currency translation differences for foreign operations	(863)	(135)	(998)
Transfer to statement of income for foreign currency translation differences for foreign operations	14	-	14
Other comprehensive income attributable to associates, net	1	-	1
Total	(706)	(135)	(841)
Total other comprehensive loss from continuing operations	(855)	(135)	(990)
Total other comprehensive income from discontinued operations, net	229	-	229
Total other comprehensive loss	(626)	(135)	(761)
Total comprehensive income	358	251	609
Attributable to:			
Shareholders of the Company	143	251	394
Non-controlling interests	215	-	215
	358	251	609

The accompanying notes are an integral part of the pro forma consolidated financial statements.

Pro Forma Consolidated Statements of Income

	Three months ended September 30, 2019		
	Actual data	Pro forma reconciliations	Pro forma data
	Unaudited		
	NIS millions (Other net earnings per share)		
Revenue	566	570	1,136
Cost of revenues	300	378	678
Gross profit	266	192	458
Selling, marketing and gas station operating expenses	-	-	-
General and administrative expenses	23	2	25
Group share in losses of operating associates, net	(6)	-	(6)
Other expenses, net	-	(7)	(7)
Operating profit	237	183	420
Financing income	155	50	205
Financing expenses	(289)	(93)	(382)
	103	140	243
Group share in losses of associates, net	(9)	-	(9)
Profit before taxes on income	94	140	234
Taxes on income	2	96	98
Profit from continuing operations	92	44	136
Profit from discontinued operations, net	49	-	49
Net profit	141	44	185
Attributable to:			
Shareholders of the Company	65	44	109
Non-controlling interests	76	-	76
	141	44	185
Net earnings per share attributable to shareholders of the Company (NIS)			
Basic earnings from continuing operations	0.8	3.8	4.6
Basic earnings from discontinued operations	4.8	-	4.8
Basic earnings	5.6	3.8	9.4
Diluted earnings from continuing operations	0.8	3.8	4.6
Diluted earnings from discontinued operations	4.8	-	4.8
Diluted earnings	5.6	3.8	9.4

*) Restated, see Note 2B

The accompanying notes are an integral part of the pro forma consolidated financial statements.

Pro Forma Consolidated Statements of Comprehensive Income

	Three months ended September 30, 2019		
	Actual data	Pro forma reconciliations	Pro forma data
	Unaudited		
	NIS millions		
Net profit	141	44	185
Other comprehensive income (loss) (net of tax effect):			
Amounts not reclassified to profit or loss:			
Loss from investment in equity instruments measured at fair value through other comprehensive income	(49)	-	(49)
Amounts classified or reclassified to profit or loss under specific conditions:			
Profit for cash flow hedges	123	-	123
Transfer to profit or loss for cash flow hedges	(17)	-	(17)
Foreign currency translation differences for foreign operations	(272)	(43)	(315)
Other comprehensive income attributable to associates, net	1	-	1
Total	(165)	(43)	(208)
Total other comprehensive loss from continuing operations	(214)	(43)	(257)
Total other comprehensive income from discontinued operations, net	90	-	90
Total other comprehensive loss	(124)	(43)	(167)
Total comprehensive income	17	1	18
Attributable to:			
Shareholders of the Company	(18)	1	(17)
Non-controlling interests	35	-	35
	17	1	18

*) Restated, see Note 2B

The accompanying notes are an integral part of the pro forma consolidated financial statements.

Pro Forma Consolidated Statements of Income

	Year ended December 31, 2019		
	Actual data *)	Pro forma reconciliations	Pro forma data
	Audited		
	NIS millions (Other net earnings (loss) per share)		
Revenue	3,356	3,267	6,623
Cost of revenues	1,901	2,178	4,079
Gross profit	1,455	1,089	2,544
Selling, marketing and gas station operating expenses	-	-	-
General and administrative expenses	121	(25)	96
Group share in losses of operating associates, net	(42)	-	(42)
Other expenses, net	(865)	(28)	(893)
Operating profit	427	1,086	1,513
Financing income	671	97	768
Financing expenses	(1,342)	(223)	(1,565)
	(244)	960	716
Group share in profits of associates, net	19	-	19
Profit (loss) before taxes on income	(225)	960	735
Taxes on income (tax benefit)	(417)	443	26
Profit from continuing operations	192	517	709
Profit from discontinued operations, net	594	-	594
Net profit	786	517	1,303
Attributable to:			
Shareholders of the Company	234	517	751
Non-controlling interests	552	-	552
	786	517	1,303
Net earnings per share attributable to shareholders of the Company (NIS)			
Basic earnings (loss) from continuing operations	(10.8)	44.4	33.6
Basic earnings from discontinued operations	30.9	-	30.9
Basic earnings	20.1	44.4	64.5
Diluted earnings (loss) from continuing operations	(10.8)	44.4	33.6
Diluted earnings from discontinued operations	30.9	-	30.9
Diluted earnings	20.1	44.4	64.5

*) Reclassified, see Note 2B.

The accompanying notes are an integral part of the pro forma consolidated financial statements.

Pro Forma Consolidated Statements of Comprehensive Income

	Year ended December 31, 2019		
	Actual data *)	Pro forma reconciliations	Pro forma data
	Audited		
	NIS millions		
Net profit	786	517	1,303
Other comprehensive income (loss) (net of tax effect):			
Amounts not reclassified to profit or loss:			
Loss from investment in equity instruments measured at fair value through other comprehensive income	(167)	-	(167)
Amounts classified or reclassified to profit or loss under specific conditions:			
Profit for cash flow hedges	92	-	92
Transfer to profit or loss for cash flow hedges	(101)	-	(101)
Foreign currency translation differences for foreign operations	(969)	(110)	(1,079)
Transfer to statement of income for foreign currency translation differences for foreign operations	14	-	14
Other comprehensive loss attributable to associates, net	(4)	-	(4)
Total	(968)	(110)	(1,078)
Total other comprehensive loss from continuing operations	(1,135)	(110)	(1,245)
Total other comprehensive income from discontinued operations, net	149	-	149
Total other comprehensive loss	(986)	(110)	(1,096)
Total comprehensive income (loss)	(200)	407	207
Attributable to:			
Shareholders of the Company	(501)	407	(94)
Non-controlling interests	301	-	301
	(200)	407	207

*) Reclassified, see Note 2B.

The accompanying notes are an integral part of the pro forma consolidated financial statements.

NOTE 1 – GENERAL

A. As described in Note 10F3 to the consolidated financial statements as at December 31, 2019, on May 29, 2019, Ithaca entered into an agreement with Chevron Products UK Limited ("the Seller") for the acquisition of 100% of the shares of Chevron North Sea Limited ("CNSL") owned by the Seller. CNSL owns rights in ten producing oil and gas assets in the North Sea region of the UK, drilling and exploration licenses, and infrastructure, and has professional and skilled human resources, all of which are part of the acquisition transaction. The oil and gas assets underlying the acquisition agreement are ten producing oil and gas fields and an exploration license. In four of the acquired assets, representing 67% of the total reserves(2P) in the acquired assets, CNSL also serves as the operator. According to the opinion of external experts for estimating reserves, as at December 31, 2019, the total quantity of proved and probable (2P) reserves as a best estimate and the total quantity of contingent resources (2C) attributable to the acquired assets is 206 million BOE and 66 million BOE, respectively. On the signing date of the agreement and as part of the purchase price, a deposit of USD 200 million was deposited in favor of the Seller.

B. On November 8, 2019, after fulfillment of all the preconditions, the transaction was completed. As part of the transaction, the Seller transferred to Ithaca ownership of the entire share capital of CNSL. Ithaca paid the Seller the consideration, which amounted to USD 1.477 billion (in addition to a deposit of USD 200 million, as set out above), after deducting the funds accumulated at CNSL since January 1, 2019. In addition, an amount of USD 50 million was paid for working capital.

As from the completion date, Ithaca assumed all the rights and liabilities of CNSL for the acquired assets, including the oil assets, and provided guarantees (letters of credit) funded by RBL, for CNSL's abandonment obligations for the acquired assets, instead of the collateral provided by CNSL or its related companies.
Alongside completion of the transaction, companies in the Ithaca Group signed agreements with companies in the BP International Oil Limited Group ("BP") for the distribution and marketing of gas and oil from the acquired assets for a period of five years.

C. Financing for the consideration of the transaction and the additional capital required by Ithaca for completion of the transaction is mainly based on the following sources:

- In July 2019, Ithaca entered into an agreement with a consortium of international banks for the provision of a reserve based lending facility of USD 1,650 million ("the RBL Facility"), which was provided to Ithaca to finance its acquisition of CNSL, subject to its completion. The RBL Facility was provided for a period of five years. Most of the RBL Facility bears annual interest of Libor + 3% in the first four years and 3.25% in the fifth year. A facility of USD 550 million out of the total amount will serve as an unused facility, half of which was used by Ithaca to provide collateral for the abandonment obligations of CNSL in the acquired assets as set out above, and this amount will bear annual interest at a rate of 1.5% in the first four years and 1.625% in the fifth year. The other half can only be utilized if certain conditions are fulfilled, based mainly on the expected production rate and forecasted prices of oil and gas.

- In July 2019, Ithaca completed an issue of debentures amounting to USD 500 million. Under the terms of the issue, the principal of the debentures will be repaid within five years and the annual interest rate set in the tender is 9.375% (paid every six months). The debentures were issued without any collateral, and Ithaca used the consideration from the issue to finance the CNSL transaction.

NOTE 1 – GENERAL (CONTD.)

C. (contd.)

- In November 2019, DKL Energy Limited (a wholly-owned subsidiary of the Company, which holds Ithaca shares - "DKL Energy") raised a loan from a foreign bank in the amount of USD 200 million. USD 50 million of the loan principal will be repaid in November 2020, another USD 50 million will be repaid in February 2021, and the balance will be repaid in May 2021 or when Ithaca is listed on the London Stock Exchange, whichever is the earlier. The loan will bear interest based on Libor plus 6.5% per year in the first 12 months of the loan life and will increase by 0.5% in each of the next three-month periods.

- The consideration for the acquisition, including the deposit made when signing the agreement, was financed by the independent sources of the Company and Ithaca.

D. In view of the gain of control in CNSL, the Group consolidates the financial statements of CNSL as from the date control was gained (November 8, 2019).

b The gain of control in CNSL constitutes a pro forma event as defined in the Israel Securities Regulations (Periodic and Immediate Reports), 1970.

F. The pro forma consolidated financial statements were prepared to reflect the effect of the pro forma event on the results of the Company's operations (consolidated), under the assumption that the financial statements of CNSL were consolidated with the Company's financial statements as from January 1, 2019, in accordance with Notes 2 and 3 below.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

A. The accounting policy applied in the pro forma consolidated interim financial statements is consistent with that applied in the preparation of the Company's consolidated interim financial statements as at September 30, 2020 and for the nine and three months then ended ("the Consolidated Interim Financial Statements"). These pro forma consolidated interim financial statements are prepared in accordance with Regulation 38B of the Israel Securities Regulations (Periodic and Immediate Reports), 1970. The consolidated interim financial statements should be read in the context of the Company's consolidated interim financial statements as at September 30, 2020 and the nine and three months then ended and with the pro forma financial statements as at December 31, 2019 and the year then ended.

B. **Restatement of comparative figures**

As set out in Note 10G to the Annual Financial Statements, in 2019 the Group sold its investment in Delek Automotive. Accordingly, the contribution of Delek Israel to the Group's results in the comparison periods was reclassified to profit (loss) from discontinued operations, net. In addition, as set out in Note 3E to the consolidated interim financial statements, signed a binding agreement for the sale of the power plant operation for power generation and Delek Petroleum signed a binding agreement for the sale of 70% of the share capital of Delek Israel. In view of the aforesaid, the operating results of the power plants and fuel sector in Israel were presented in all reporting periods under profit (loss) from discontinued operations, net when comparative figures were reclassified.

NOTE 3 – ASSUMPTIONS USED IN THE PREPARATION OF THE CONSOLIDATED PRO FORMA FINANCIAL STATEMENTS

1. The pro forma consolidated financial statements are based on the consolidated financial statements of the Company and on the financial statements of the acquired company (after carve-out adjustments for operations remaining with the Seller subsequent to the transaction) for the relevant reporting period, which were prepared in accordance with international financial reporting standards (IFRS).

2. The pro forma consolidated statements of income and the pro forma consolidated statements of comprehensive income for the nine and three months ended September 30, 2020 were prepared on the assumption that the acquisition of the acquired company occurred on January 1, 2019.

3. The pro forma statements of income included theoretical financing expenses for the financing sources set out in section 1C above, to reflect in these reports the effects if such financing had been made on January 1, 2019. Regarding the Company's independent sources of financing (in the amount of NIS 550 million), the notional financing expenses that were included are at an annual rate of 4.5%. In addition, for the notional financing expenses for Ithaca's financing sources, a tax benefit was included in accordance with the tax rate applicable to Ithaca, and for the financing sources that are not from Ithaca, a tax benefit was not included.

4. The pro forma statements of income for the reported periods included the amortization of excess costs arising from the acquisition, based on a provisional measurement of the fair value of the assets and liabilities of CNSL, in accordance with the draft valuation prepared by an external appraiser, as set out in Note 10F3 to the Company's consolidated financial statements as at December 31, 2019 and the year then ended. For the amortization, the effect of tax was recognized according to the tax rate that applied to CNSL. It should be noted that the cost of income item in the pro forma consolidated interim statements for the nine and three month periods included depletion expenses for the assets of CNSL that were acquired in the amount of NIS 908 million and NIS 283 million, respectively.

5. Since the pro forma information is inherently based on various assessments and estimates, and due to the changes that occurred and are likely to occur in the operations of CNSL, and in particular, due to the changes in oil and gas prices and changes that are expected in production volumes from the acquired reservoirs, the reported pro forma information is not necessarily an indication of the contribution of CNSL to the representative and/or future results of the Group subsequent to acquisition of the operations.

NOTE 4 – OPERATING SEGMENTS

A. General

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

– Oil and gas exploration and production in Israel and its surroundings: The main operation is in the Tamar joint venture, the Ratio Yam joint venture, the Yam Tethys joint venture, and other oil rights, mainly offshore the coast of Israel.

– 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 sectors, including mainly desalination up to the date of the sale of the investment in IDE, as set out in Note 3B to the Annual Financial Statements.

It should be noted that in view of the sale of the Company's investment in Delek Automotive and in The Phoenix in 2019, and presentation of their operating results under income from discontinued operations, Delek Automotive and The Phoenix were not presented as reportable segments in the comparative figures. In addition, in view of the binding agreement for the sale of the power plant for power generation, as well as the sale of the fuel operations in Israel, these operations were recognized under results of discontinued operations with reclassification of comparative figures.

B. Pro forma segment reporting

1) Revenue

	Nine months ended September 30, 2020		Three months ended September 30, 2020		Year ended December 31
	2020	2019	2020	2019	2019
	Unaudited		Unaudited		Audited
	NIS millions				
Revenue from external sources					
Oil and gas exploration and production in Israel and its surroundings	1,982	1,012	810	350	1,332
Development and production of oil and gas assets in the North Sea	3,106	3,716	916	790	5,329
Other segments **)	5	21	-	13	22
Inter-segment and adjustments *)	(56)	(49)	(21)	(17)	(60)
Total in statement of income	5,037	4,700	1,705	1,136	6,623

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

**) Reclassified, see Note 2B

NOTE 4 – OPERATING SEGMENTS (CONTD.)

B. Pro forma segment reporting (contd.)

2) Segment results

	Nine months ended September 30, 2020		Three months ended September 30, 2020		Year ended December 31
	2020	2019	2020	2019	2019
	Unaudited		Unaudited		Audited
	NIS millions				
Oil and gas exploration and production in Israel and its surroundings	937	455	526	201	649
Development and production of oil and gas assets in the North Sea	(2,508)	1,249	241	237	982
Other segments **)	22	128	1	(14)	(63)
Adjustments *)	(85)	(50)	(26)	(4)	(55)
Total in statement of income	(1,634)	1,782	742	420	1,513

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

**) Reclassified, see Note 2B

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

	Nine months ended September 30, 2020		Three months ended September 30, 2020		Year ended December 31
	2020	2019	2020	2019	2019
	Unaudited		Unaudited		Audited
	NIS millions				
Oil and gas exploration and production in Israel and its surroundings	74	300	127	139	476
Development and production of oil and gas assets in the North Sea	(2,185)	549	89	64	461
Other segments **)	24	154	1	(12)	(30)
Adjustments *)	(457)	(318)	(136)	(153)	(515)
Total in statement of income	(2,544)	685	81	38	392

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

**) Reclassified, see Note 2B

NOTE 5 – THE COVID-19 CRISIS AND THE GROUP'S FINANCIAL POSITION

In this connection, see Notes 1A, 1B, and 1C to the Interim Consolidated Financial Statements as at September 30, 2020 about the Covid-19 crisis and the extreme decline in global oil and gas prices in 2020, including: The significant impairment subsequent to this date in the Group's assets and capital attributable to the Company's shareholders; a consolidated working capital deficit and working capital of the Company (separate); downgrade of the Company's debenture rating; significant amounts of required payments (repayments) of the Company and the staff companies to the debenture holders and the financial institutions, as well as agreements reached with the debenture holders and the financial institutions, according to which, among other things, they will not call for immediate repayment of the Company's obligations towards them, subject to the Company's compliance with its obligations and covenants set out in the agreements; and regarding the disposals, binding agreements, and memorandums of understanding for the sale of assets and investments in significant amounts, raising of capital and receiving dividends from investees; and repayment of the Company's financial liabilities to its creditors.

As set out in these Notes, the continued repayment of the liabilities of the Company and the staff companies at their due date is subject to their ability to dispose of assets and investments on a significant scale; raise debt and capital on a significant scale, some of which is required in the near future and is greatly affected by oil and natural gas prices; and receive dividends from investees. The Company is also required to comply with the terms of the agreements and covenants with the debenture holders and the financial institutions, so that they will not call for immediate repayment of the liabilities of the Company and the staff companies.

The Company acted and is acting to implement its plans in order to meet the required conditions and to raise the required sources for repayment of its liabilities, including by raising capital, raising asset-based debt, and disposing of assets and investments. The Company believes that it is highly likely that its plans will be realized, and in this context, it should be noted that, as set out above, the significant actions that the Group was able to complete in a short period in accordance with the outline enabled it to make early repayments to the banks in substantial amounts and to the debenture holders on time and as required. However, since completion of the Company's plans is not under its sole control and depends on the materialization of incremental events, which are required in relatively short periods and/or in a significant scope, there is uncertainty as to the actual fulfillment of these plans and the Company's compliance with the covenants in the agreements with the debenture holders. These factors, together with the other factors describe in the Notes above, raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include adjustments for the values of assets and liabilities and their classification, which might be required if the Company is unable to continue as a going concern.

NOTE 6 – CONTINGENT LIABILITIES

Motions for class actions have been filed against the Company and certain investees, in significant amounts. In some cases, it is not possible to assess their outcome at this stage, therefore no provision was recorded in the financial statements as set out in Note 6 to the Company's consolidated interim financial statements.

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Delek Group Ltd.

Additional Data Concerning the Proforma Consolidated Financial Statements as of September 30, 2020

1. The Company's Board of Directors hereby presents the Company's proforma consolidated financial statements for the three and nine month periods ended September 30, 2020 ("Proforma Statements"), as well as additional data connected to the Proforma Statements. This report should be read in conjunction with the Board of Directors Report on the Company's consolidated financial statements for said periods.

2. On November 8, 2019, Ithaca completed a strategic transaction for acquiring 100% of the shares of Chevron North Sea Limited ("CNSL") from Chevron Products UK Limited ("the Seller"). CNSL holds various right interests in ten production oil and gas assets located in the North Sea offshore of England, drilling and exploration licenses, a pipeline and infrastructure, and skilled professional staff, all of which were included in the acquisition. CNSL serves as the operator for four of the acquired assets, accounting for 67% of all 2P reserves in the acquired assets.

   The consideration paid upon the transaction's completion, net of amounts accrued by CNSL since January 1, 2019, amounted to USD 1.477 billion (in addition to USD 200 million which were part of the consideration for the purchase and which were paid to the Seller as a deposit upon the agreement's signature in May 2019). A sum of USD 50 million was also paid against working capital.

   To finance the consideration and its additional capital requirements to complete the transaction, Ithaca relied mainly on the following sources:

   1) A reserve-based lending (RBL) facility of USD 1,100 million for a period of 5 years (of which USD 600 million were used to repay a previous Ithaca debt);

   2) Issue of USD 500 million in debentures by Ithaca;

   3) A USD 200 million loan from a foreign bank received by a wholly-owned Group subsidiary near the transaction's completion date;

   4) The remaining balance, including the advance paid upon the agreement's signature, was provided from the Company's and Ithaca's own funds. It is emphasized that, as part of the financing behind Ithaca's acquisition of CNSL's rights, a USD 300 million guarantee by the Company toward Ithaca was canceled.

   In addition, upon the transaction's completion, Ithaca provided letters of credit out of and as part of the RBL facility it had secured as aforesaid. These letters of credit guarantee CNSL's abandonment obligations for the acquired assets.

3. After assuming control of CNSL, the Group is consolidating CNSL's financial statements starting from the date when it assumed control (November 8, 2019).

4. The Proforma Statements were prepared to reflect the effect of the proforma event on the Company's consolidated results, assuming that CNSL's statements had been consolidated with the Company's financial statements in the reporting periods prior to the purchase, as detailed in Notes 2 and 3 to the Proforma Statements.

5. The Proforma Statements were prepared based on the Company's consolidated financial statements, with retrospective consolidation of CNSL's financial statements for all relevant reporting periods, using the assumptions detailed in Note 3 to the Proforma Statements.

6. According to the proforma statement of income, the Group's proforma revenues for the three and nine months ended September 30, 2019 totaled NIS 4.7 billion and NIS 1.1 billion, respectively, as compared to actual revenues of NIS 1.9 billion and NIS 0.6 billion, respectively, in the three and nine months ended September 30, 2019, an increase of NIS 2.8 billion and NIS 0.5 billion, respectively. Proforma revenues from development and production of gas and oil assets in the North Sea in the nine and three months ended September 30, 2019 totaled NIS 3.72 billion (USD 1 billion) and NIS 0.8 billion (USD 0.22 billion), respectively, as compared to actual revenues of NIS 1 billion (USD 0.28 billion) and NIS 0.22 billion (USD 0.06 billion), respectively.

7. Net profit attributable to Company shareholders, proforma, totaled NIS 931 million and NIS 109 million, respectively, in the nine and three months ended September 30, 2019, as compared to actual net profits of NIS 545 million and NIS 65 million, respectively.

   Gas and oil asset development and production operations in the North Sea contributed NIS 549 million and NIS 64 million, respectively, to the proforma net profit attributable to the Company's shareholders in the nine and three months ended September 30, 2019.

8. For information concerning developments in the reporting period, including the COVID-19 epidemic's impact on the Group's financial position, see Note 1 to the consolidated financial statements.

In light of the fact that proforma data, by nature, are based on various assessments and estimates and in light of changes that have occurred and which may occur in CNSL's operations, and particularly in light of changes in oil and gas prices and expected changes in production volumes from the acquired reservoirs, the reported proforma data should not be construed as indicative of CNSL's contribution to the Group's representative and/or future results following the acquisition.

Sincerely

Gabriel Last	**Idan Wallace**
Chairman of the Board	CEO

Signature date: November 25, 2020

Chapter D

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

Delek Group Ltd

Quarterly report on the effectiveness of internal control for financial reporting and disclosure, pursuant to Ordinance 38C(a):

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

For this matter, the members of Management are:

1. Idan Wallace, President & CEO
2. Tamir Polikar, Deputy CEO & CFO
3. Leora Pratt Levin, Chief General Counsel
4. Tamar Rosenberg, CFO & Head of Corporate Accounting

Internal control of financial reporting and disclosure includes controls and procedures existing in the Corporation, which were planned or overseen by the CEO and the most senior financial officer or under their supervision, or by whoever fulfills those functions in practice, under the supervision of the Board of Directors of the Corporation, and were designed to provide 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 those 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 of financial reporting and disclosure is not intended to provide absolute assurance that misstatement in or omission of information from the reports will be prevented or will be discovered.

It should be noted that the assessment of internal control of Chevron North Sea Ltd (“Chevron”), whose commercial operations were acquired and included in the Company’s consolidated commercial operations from November 8, 2019, has not yet been completed (expected to carried out during 2020).

In the annual report on the effectiveness of internal control for financial reporting and disclosure, which was attached to the Periodic Report for the period ending December 31, 2019 ("the Last Annual Internal Control Report"), the Board of Directors and Management assessed the internal controls within the Corporation; based upon this assessment, the Board of Directors and Management of the Corporation have concluded that the said internal controls, as of December 31, 2019, were effective.

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

For the period of this report, based upon the effectiveness assessment of the internal controls in the Last Annual Internal Control Report, and based upon information brought to the attention of Management and the Board of Directors as stated above, the internal controls are effective.

Declaration of Executives in accordance with Ordinance 38C(d)(1)

Declaration of Executives
Declaration of the CEO

I, Idan Wallace, declare that:

(1) I have reviewed the quarterly report of Delek Group Ltd. ("the Corporation") for Quarter 3 of 2020 ("the Reports");

(2) To the best of my knowledge, the reports do not include any representation that is not correct and do not lack any representation of any vital, material fact, so that was has been presented, within the context in which they have been provided, shall not be misleading in respect of the period covered by the reports;

(3) To the best of my knowledge, the financial statements and other financial information in the Reports reflect fairly, from all material aspects, the financial condition, the results of operations and the cash flows of the Corporation at the dates and for the periods to which the Reports relate:

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

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

   (ii) any deception, whether material or not material, in which the CEO or anyone directly subordinate to him is involved, or in which other employees are involved who fulfill an important function in the internal control of the financial reporting and disclosure;

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

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

   (ii) I set controls and procedures or ascertained the setting and upholding of controls and procedures under my supervision, designed to reasonably ensure the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law, including in accordance with accepted accounting principles.

   (iii) No event or matter has been brought to my attention during the period between the Last Report and the date of this report that changes the conclusion of the Board of Directors and Management in respect of the effectiveness of the internal controls on the Corporation's financial reporting and disclosure.

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

November 25, 2020

Idan Wallace
Chief Executive Officer

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

Declaration of Executives
Declaration of the most senior financial officer

I, Tamir Polikar, declare that:

(1) I have reviewed the interim financial statements and other financial information of Delek Group Ltd. ("the Corporation") for Quarter 3 of 2020 ("the Reports" or "the Reports for the Interim Period");

(2) To the best of my knowledge, the interim financial statements and other financial information included in the Reports for the Interim Period do not include any representation that is not correct and do not lack any representation of any vital, material fact, so that was has been presented, within the context in which they have been provided, shall not be misleading in respect of the period covered by the reports.

(3) To the best of my knowledge, the interim financial statements and other financial information in included in the Reports for the Interim Period reflect fairly, from all material aspects, the financial condition, the results of operations and the cash flows of the Corporation at the dates and for the periods to which the Reports relate:

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

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

(ii) any deception, whether material or not material, in which the CEO or anyone directly subordinate to him is involved, or in which other employees are involved who fulfill an important function in the internal control of the financial reporting and disclosure.

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

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

(ii) I set controls and procedures or ascertained the setting and upholding of controls and procedures under my supervision, designed to reasonably ensure the reliability of the financial reporting and the preparation of the financial statements in accordance with the provisions of the law, including in accordance with accepted accounting principles.

(iii) No event or matter has been brought to my attention during the period between the Last Periodic Report and the date of this report that refers to the interim financial statements and all financial information included in the Reports for the Interim Period that changes the conclusion of the Board of Directors and Management in respect of the effectiveness of the internal controls on the Corporation's financial reporting and disclosure.

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

November 25, 2020

Tamir Polikar
Deputy CEO & CFO