NEWMEDENERGY

2023

FINANCIAL STATEMENTS AS OF 31.03.2023

NEWMEDENERGY

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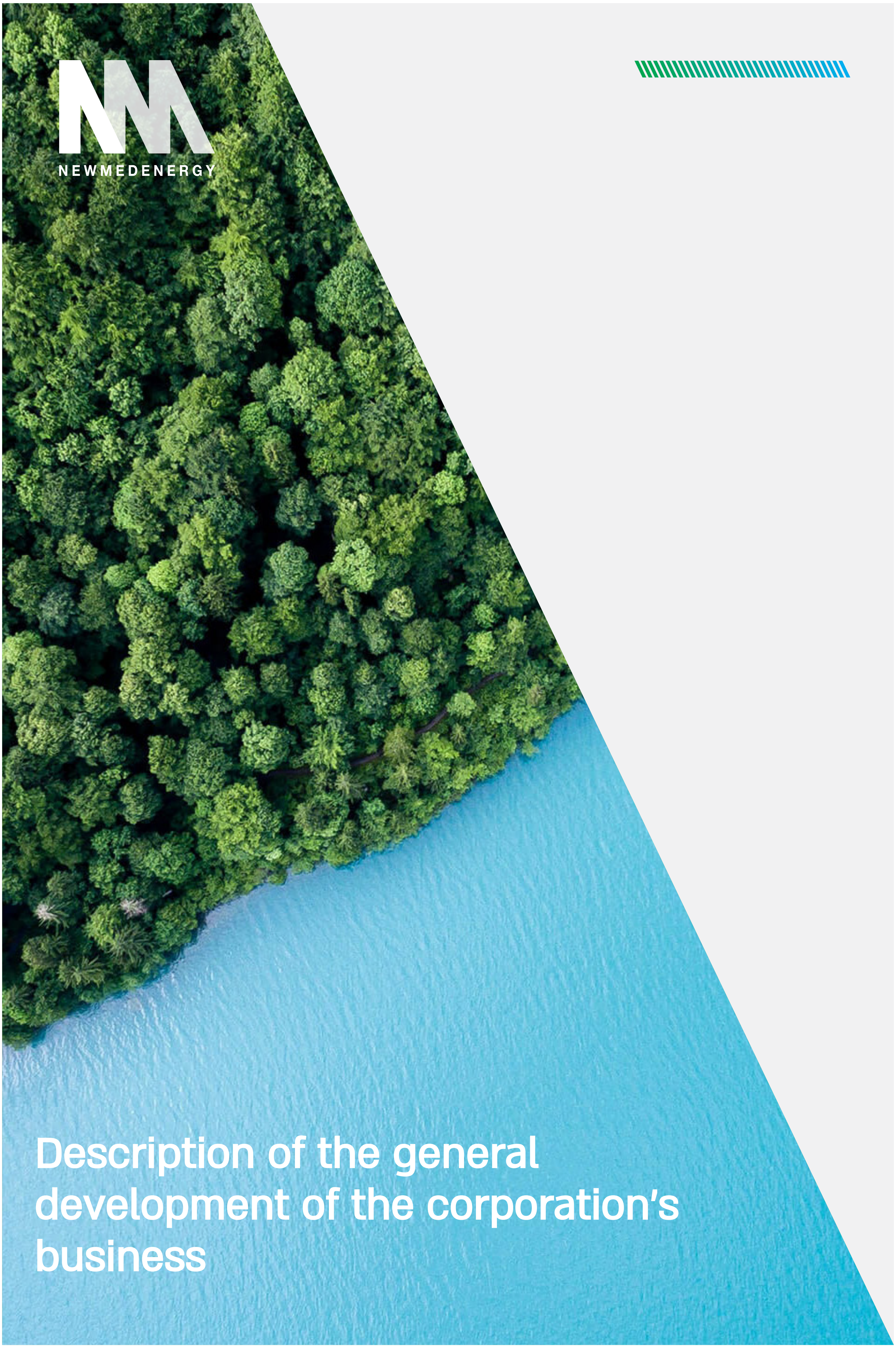


Description of the general development of the corporation's business

Update to Chapter A (Description of the Partnership's Business)

of the 2022 Periodic Report

of NewMed Energy – Limited Partnership (the "Partnership")[1]

1. **Section 1 of the Periodic Report – Description of the the General Development of the Partnership's Business**

   a. On April 24, 2023, the Partnership released a notice of general and special meeting of the holders of the Partnership's participation units (the "**Units**" or the "**Participation Units**") proposing, *inter alia*, to appoint Fahn Kanne & Co., Accountants, together with Keidar Supervision & Management as a supervisor for the Partnership, and to approve their fees. For further details, see the Partnership's immediate report as of April 24, 2023 (Ref. No. 2023-01-044772), the information in which is included herein by reference. It is clarified that the said meeting is scheduled to be held after the date of approval of the report, on May 29, 2023.

   b. Further to Section 1.8 of the Periodic Report, regarding a non-binding indicative offer received by the General Partner of the Partnership, NewMed Energy Management Ltd. (the "**GP**") from Abu Dhabi National Oil Company (ADNOC) P.J.S.C. and BP Exploration Operating Company (the "**Buyers**"), regarding a possible transaction in which the Buyers will purchase for cash all of the Units held by the public and some of the Units held by Delek Group Ltd., the control holder of the Partnership ("**Delek Group**"), subject to certain conditions (the "**Transaction**") and regarding the decision of the board of directors of the GP, in view of Delek Group's personal interest in the Transaction and the material nature of the Transaction, to appoint the GP's audit committee to explore and resolve any issue pertaining to the purchase of the publicly held Units in the Transaction, and to take any and all actions required for the exercise of the Committee's powers, at the Committee's discretion (the "**Committee**"), as of the date of approval of the report, the Committee is holding regular meetings for the purpose of promoting the Transaction, and in this context has chosen legal, economic and financial advisors. Furthermore, the Buyers are continuing to perform the due diligence.

[1] This chapter includes material news or changes that occurred in the Partnership's business, in accordance with Section 39A of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, and other updates regarding the Partnership's business that occurred starting from the date of publication of the periodic report for 2022 which was published on March 28, 2023 (Ref. No.: 2023-01-033096) (the "**Periodic Report**") until shortly before the date of approval of the report, on any matter that is required to be described in the Periodic Report. The update refers to the section numbers in Chapter A (Description of the Partnership's Business) of the Periodic Report, unless stated otherwise.

2. **<u>Section 4 of the Periodic Report – Distribution of Profit</u>**

On May 10, 2023, the board of directors of the GP, after receiving the recommendation of the Financial Statements Review Committee of the GP, approved a distribution of profit in the total sum of 50 million U.S. dollars ("**$**"), with the record date for the distribution being May 22, 2023. Such distribution of profit will be carried out on June 15, 2023.

3. **<u>Sections 7.3.6 and 7.3.11 of the Periodic Report - Plan for Development of the Aphrodite Reservoir</u>**

In May 2023 the partners in the Aphrodite reservoir in the area of Block 12, in the EEZ of the Cypriot Republic, commenced drilling of the A-3 appraisal well ("**Aphrodite 3**") according to their commitment pursuant to the production sharing contract.

4. **<u>Section 7.19.2 of the Periodic Report – Bonds of Leviathan Bond</u>**

For details regarding the partial prepayment of the first series of bonds of Leviathan Bond that was made on May 1, 2023, instead of June 30, 2023, see the Partnership's immediate report dated April 13, 2023 (Ref. No.: 2023-01-040410), the information in which is included herein by reference.

5. **<u>Section 7.20 – Taxation</u>**

a. Further to Section 7.20.4(c) of the Periodic Report, regarding the disputes that arose between the Partnership and the Israel Tax Authority regarding the amount of the Partnerships' taxable income for tax purposes for 2016, it is noted that an additional pretrial hearing has been scheduled for July 17, 2023.

b. Further to Section 7.20.9 of the Periodic Report, regarding the 2021 tax year, on April 30, 2023, the Partnership released an immediate report, attached to which was a temporary tax certificate for an entitled holder and to a seller of Participation Units due to the holding of a Participation Unit for 2021 tax year (Ref. No.: 2023-01-046137), the information in which is included herein by reference.

6. **<u>Section 7.22 of the Periodic Report – Restrictions on and Control of the Partnership's Activity</u>**

a. Further to Section 7.22.5 of the Periodic Report, regarding decisions of the Natural Gas Authority Council with respect to the financing of projects for export via the national transmission system, on March 28, 2023, the Natural Gas Authority Council published a request for public comment on the issue of financing of and capacity allocation in all of the lines for export through the Israeli transmission system, as well as the Ramat Hovav-Nitzana line and part of the vacant capacity on the Jordan North line (the "**Draft Decision**"). The subject matter of the Draft Decision is the allocation of capacity in all of the export lines between the exporters, and in particular the allocations in and costs of the Ramat Hovav-Nitzana line and part of the currently-available capacity in the Jordan North line. The Draft Decision determines, among other things, instructions on the method of determining the total allocation for each exporter in all of the transmission segments intended for export, and transmission segments leading to segments intended for export, instructions regarding the allocation of capacity to a new exporter, as well as the right of the Natural Gas Authority Council to convert an export line into an import line if it believes that natural gas could be imported at a price lower than that of the local market's consumers. The Leviathan partners' comments on the Draft Decision were submitted to the Natural Gas Authority Council on May 7, 2023.

b. On May 2, 2023, the Ministry of Energy published for public comment – by May 28, 2023 – a draft policy document on decommissioning of offshore oil and natural gas exploration and production infrastructures (the "**Draft Policy Document**"). The purpose of the Draft Policy Document is to propose an outline for the general principles with regard to decommissioning of offshore oil and natural gas exploration and production infrastructures, without derogating from the provisions of the law applicable in this regard and the provisions of the lease deeds and operation permits. The Draft Policy Document offers, among other things, rules, standards and time frames for the decommissioning of drilling and production facilities as well as the abandonment of subsea infrastructures and pipelines that are no longer in use, according to, *inter alia*, the location of said facilities in the deep sea or on the bottom of or below the seabed.

According to a preliminary assessment by the Partnership, approval of the strict requirements in the Draft Policy Document is expected to increase the decommissioning costs for the Partnership's assets. As of the date of approval of the report, the Partnership is still examining the provisions of the Draft Policy Document and its implications on the increase of the decommissioning costs as aforesaid, if applied, and will consider its actions on the matter accordingly.

7. <u>Section 7.25 of the Periodic Report – Legal Proceedings</u>

a. Further to Section 7.25.2 of the Periodic Report, regarding a claim filed by the Partnership and Chevron Mediterranean Limited ("**Chevron**") (in this section, collectively: the "**Plaintiffs**") with the Jerusalem District Court against the State of Israel (in this section: the "**Defendant**"), which mainly includes a demand for restitution of royalties which were overpaid by the Plaintiffs to the Defendant, under protest, in respect of income which the Plaintiffs derived from gas supply agreements which were signed between natural gas consumers and the Yam Tethys partners and regarding the appeal filed by the Plaintiffs from the judgment received under such claim, it is noted that a hearing of the appeal was set for December 27, 2023.

b. Further to Section 7.25.3 of the Periodic Report, regarding a motion for class certification in connection with the merger transaction between the Partnership and Avner Oil Exploration - Limited Partnership ("**Avner**"), that was filed by the holders of participation units in Avner (the "**Certification Motion**"), on May 7, 2023, the court's judgment was received, dismissing the Certification Motion.

c. Further to Section 7.25.4 of the Periodic Report, regarding a motion for class certification that was filed with the Tel Aviv District Court (Economic Department) by a shareholder of Tamar Petroleum Ltd. ("**Tamar Petroleum**") and the Public Representatives Association (jointly, the "**Petitioners**"), against the Partnership, Tamar Petroleum, officers therein and Leader Issues (1993) Ltd. (in this section, collectively: the "**Respondents**"), in connection with the issue of the shares of Tamar Petroleum in July 2017, note that on April 23, 2023 the Respondents filed a motion for discovery order and on May 3, 2023 the court granted the Respondents' motion to extend the filing of responses to such motion, until June 7, 2023.

d. Further to Section 7.25.6 of the Periodic Report, regarding a claim filed by the supervisor on behalf of the holders of the Participation Units with the Tel Aviv District Court (Economic Department) against the Partnership, the GP and the royalty interest owners which include Delek Group, Delek Energy Systems Ltd. and Tomer Energy Royalties (2012) Ltd. (formerly Delek Royalties (2012) Ltd.) and a counterclaim filed by the royalty interest owners, all in connection with the investment recovery date in the Tamar project, the pretrial was scheduled for May 22, 2023.

e. Further to Section 7.25.8 of the Periodic Report, regarding a motion for class certification which was filed by a holder of participation units (the "**Petitioner**") with the Tel Aviv District Court (Economic Department) against the Partnership, the GP, Delek Group, Yitzhak Sharon (Tshuva), the directors of the GP, including the former chairman of the board, and the CEO of the GP (in this section, collectively: the "**Respondents**"), claiming that the Respondents refrained from disclosing, in the Partnership's reports, the existence of a stipulation in the agreements for the sale of natural gas from the Leviathan and Tamar reservoirs to Blue Ocean Energy (formerly Dolphinus Holdings Limited), note that the Petitioner and the Respondents are required to file summations and responding summations during 2023, all by November 12, 2023.

f. Further to Section 7.25.11 of the Periodic Report, regarding a claim filed by Haifa Port Company Ltd. ("**Haifa Port**") against Chevron, Coral Maritime Services Ltd. and Gold-Line Shipping Ltd., and regarding a counterclaim filed by Chevron against Haifa Port, note that the parties are required to respond by June 1, 2023 to the mutual motions regarding the preliminary proceedings, which will be heard during the pretrial scheduled for June 11, 2023. Furthermore, on April 3, 2023, Haifa Port filed a motion for summary dismissal of the counterclaim on grounds of lack of privity with Chevron, since the invoices and the mooring fees were paid by an agent. Chevron is required to respond to such motion by May 15, 2023.

g. Further to Section 7.25.13 of the Periodic Report, regarding a claim filed by the Partnership against Energean Oil and Gas Plc in connection with the payment of the balance of the consideration according to the agreement for the sale of the interests in the Karish and Tanin leases, on April 19, 2023, a pretrial hearing was held in the claim, and according to the decision issued in the context thereof, on May 10, 2023, the parties filed a joint notice with the court regarding their consent to refer to mediation, without thereby delaying the hearing of the claim.

8. Below is a table that includes natural gas production data in Q1/2023 in the Leviathan project:[2,3]

<table>
<tr><th colspan="2"></th><th>Q1</th></tr>
<tr><td colspan="2">Total output (attributable to the holders of the equity interests of the Partnership) during the period (in MMCF)</td><td>45,277.33</td></tr>
<tr><td colspan="2">Average price per output unit (attributed to the holders of the equity interests of the Partnership) (Dollar per MCF)</td><td>6.21</td></tr>
<tr><td rowspan="3">Average royalties (any payment derived from the output of the producing asset including from the gross income from the petroleum asset) paid per output unit (attributed to the holders of the equity interests of the Partnership) (Dollar per MCF)</td><td>The State</td><td>0.67</td></tr>
<tr><td>Third parties</td><td>0.16</td></tr>
<tr><td>Interested parties</td><td>0.08</td></tr>
<tr><td colspan="2">Average production costs per output unit (attributed to the holders of the equity interests of the Partnership) (Dollar per MCF)[4,5]</td><td>0.82</td></tr>
<tr><td colspan="2">Average net proceeds per output unit (attributed to the holders of the equity interests of the Partnership) (Dollar per MCF)</td><td>4.48</td></tr>
</table>

Date: May 10, 2023

NewMed Energy – Limited Partnership

via NewMed Energy Management Ltd., GP

Signed by: Gabi Last, Chairman of the Board

and Yossi Abu, CEO

[2] The data presented in the table with respect to the share attributed to the holders of the equity interests of the Partnership in the average price per output unit, in the royalties paid, in the production costs and in the income, net, was rounded off to two digits after the decimal point.

[3] Since the sum of the costs entailed by production of the condensate during Q1/2023 exceeded the sum of the revenues received in respect thereof, and since the condensate is a byproduct of natural gas production, separate figures were not presented in the table in connection with the production of the condensate, and all of the costs and expenses in connection with production of the condensate were attributed to the production of the natural gas.

[4] The figures include current production costs only, and do not include the reservoir's exploration and development costs and tax payments that will be made in the future by the Partnership.

[5] It is noted that the average production costs per output unit include costs for the transmission of natural gas through the INGL's transmission system to the EMG's terminal in Ashkelon and to the point of delivery in Aqaba, Jordan, for the purpose of supplying the gas to Egypt in the sum of approx. $38.1 million in Q1/2023 (100%).

Board of Directors report

May 10, 2023

NewMed Energy – Limited Partnership

Report of the Board of Directors of the General Partner for the three-month period ended March 31, 2023

The board of directors of NewMed Energy Management Ltd. (the "**General Partner**") hereby respectfully submits the board of directors' report for the three-month period ended March 31, 2023 (the "**Report Period**").

Part One – Explanations of the Board of Directors on the State of the Partnership's Business

1. Main changes that occurred in the Report Period

For a comprehensive description of the main changes in the Partnership's business in the Report Period, see the update to Chapter A (Description of the Partnership's Business) of the periodic report for 2022 (the "**Periodic Report**"), and the condensed interim financial statements as of March 31, 2023 ("**Condensed Interim Financial Statements**"), which are attached below.

2. Results of operations

A. General

As of the date of approval of the Report, the Partnership operates in the energy sector and mainly engages in the exploration, development, production and marketing of natural gas, condensate and oil in Israel and in Cyprus, as well as in the promotion of various natural gas-based projects, with the aim of increasing the volume of sales of the natural gas produced by the Partnership. At the same time, the Partnership explores business opportunities in the field of exploration, development, production, and marketing of natural gas, condensate and oil in other countries, and is also exploring and promoting possibilities for investing in projects in the renewable energies sector, in the context of the collaboration with Enlight Renewable Energy Ltd.[1], and possibilities of entry into the hydrogen sector, including blue hydrogen, which is produced from natural gas and may constitute a low-carbon substitute for energy consumers.

The net profit of the Partnership in the Report Period was approx. $121 million compared with approx. $84 million in the same period last year. The increase in profit mainly derived from an increase in net revenues from the sale of natural gas from the Leviathan reservoir in the sum of approx. $29 million and from a decrease in depreciation, depletion and amortization expenses in the sum of approx. $18 million.

[1] For details on the Enlight transaction, see Section 7.8 of the Chapter on Description of the Partnership's Business of 2022.

B. Analysis of statements of comprehensive income

Below are main figures with regards to the Partnership's statements of comprehensive income (dollars in millions):

	1-3/23	1-3/22	2022
Revenues			
From natural gas and condensate sales	281.1	246.8	1,143.9
Net of royalties	41.1	36	172.0
Revenues, net	**240.0**	**210.8**	**971.9**
Expenses and costs:			
Cost of natural gas and condensate production	38.2	33.7	134.1
Depreciation, depletion and amortization expenses	19.9	37.8	131.0
Other direct expenses	0.8	1.0	5.2
G&A expenses	5.6	3.1	19.7
Total expenses and costs	**64.5**	**75.6**	**290.0**
The Partnership's share in the losses of a company accounted for at equity	(1.3)	(1.1)	(3.1)
Operating income	**174.2**	**134.1**	**678.8**
Financial expenses	(37.2)	(38.3)	(155.3)
Financial income	19.9	19.9	71.1
Financial expenses, net	(17.3)	(18.4)	(84.2)
Profit before taxes on income	**156.9**	**115.7**	**594.6**
Taxes on income	(36.2)	(31.6)	(116.0)
Income from continuing operations	**120.7**	**84.1**	**478.6**
Income from discontinued operations	-	-	(13.2)
Income from the sale of natural gas and oil assets	-	-	4.3
Total income from discontinued operations	-	-	**(8.9)**
Net profit	**120.7**	**84.1**	**469.7**

Net revenues in the Report Period totaled approx. $240 million, compared with approx. $211 million in the same period last year, up 14%. The increase mainly derived from an increase in the quantities of natural gas which were sold from the Leviathan reservoir, from a quantity of approx. 2.7 BCM (100%) in the same period last year, to a quantity of approx. 2.8 BCM (100%) in the Report Period, from an increase in the average price per thermal unit (MMBtu) from approx. $5.78 per MMBtu in the same period last year to approx. $6.09 per MMBtu in the Report Period, and from an increase in the quantities of natural gas which were sold to the regional market whose average price is higher relative to the domestic market.

Below is a table specifying the gas quantities (100%) sold from the Leviathan reservoir in the Report Period and in the same period last year according to the customers' geographic location:

2023 - (BCM)*					
	Israel	Jordan	Egypt	Total	Average price:**
Q1	0.6	0.7	1.5	2.8	$6.09

2022 - (BCM)*					
	Israel	Jordan	Egypt	Total	Average price:**
Q1	0.9	0.7	1.1	2.7	$5.78

* The figures are rounded off to one-tenth of a BCM
** The price per MMBtu in dollars is rounded to two digits after the decimal point

Cost of gas and condensate production mainly includes expenses of management and operation of the Leviathan project, which include, *inter alia*, expenses of shipping and transport, salaries, consulting, maintenance, environmental protection, insurance and the cost of transmission of natural gas to Egypt. The cost of gas and condensate production in the Report Period totaled approx. $38 million, compared with a total of approx. $34 million in the same period last year, up around 12%.

The increase in the Report Period mainly derives from an increase in the transportation and shipping expenses and the costs of transmission of gas to Egypt which derives, *inter alia*, from an increase in the quantity of gas sold to Egypt.

Depreciation, depletion and amortization expenses in the Report Period totaled approx. $20 million, compared with approx. $38 million in the same period last year, down around 47%. The decrease is mainly due to the fact that in the same period last year a depreciation was carried out in the New Ofek project to the Statement of Comprehensive Income, and the liability for asset abandonment expenses in respect of the Yam Tethys project was updated.

Other direct expenses in the Report Period totaled approx. $1 million, similar to the same period last year. The expenses include, *inter alia*, expenses of geologists, engineers and consulting as well as G&A expenses of various projects which are not at the production stage.

G&A expenses in the Report Period totaled approx. $6 million, compared with a total of approx. $3 million in the same period last year, and include, *inter alia*, expenses for professional services, payroll expenses and D&O insurance. The increase in such expenses mainly derived from revaluation of the cost of a participation unit-payment to the Partnership's CEO following the rise of the price of participation units on TASE.

The Partnership's share in the losses of a company accounted for at equity in the Report Period totaled a loss of approx. $1 million, similar to the same period last year. The loss derived from the company accounted for at equity EMED Pipeline B.V. ("**EMED**"), which holds 39% of the shares of Eastern Mediterranean Gas Company S.A.E ("**EMG**").

Financial expenses in the Report Period totaled approx. $37 million, compared with approx. $38 million in the same period last year. Most of the financial expenses derived from interest in respect of bonds issued by Leviathan Bond Ltd., a wholly-owned subsidiary of the Partnership ("**Leviathan Bond**" and the "**Leviathan Bond Bonds**", respectively).

Financial income in the Report Period totaled approx. $20 million, similar to the same period last year. The financial income mainly includes income from revaluation of royalties and debt receivable in respect of the Karish and Tanin leases in the sum of approx. $11 million, compared with a revaluation of approx. $18 million in the same period last year and approx. $6 million in the revenues of interest from deposits compared with approx. $1 million in the same period last year. For further details, see Note 5A to the Condensed Interim Financial Statements attached below.

Taxes on income in the Report Period totaled approx. $36 million, compared with a total of approx. $32 million year-over-year. The increase was impacted by an increase in the profit before taxes in the Report Period.

3. Financial position, liquidity and financing sources

A. Financial position

The main changes in the items of the statement of financial position as of March 31, 2023, compared with the statement of financial position as of December 31, 2022, are specified below:

Total assets as of March 31, 2023 totaled approx. $4,029 million, compared with approx. $3,939 million as of December 31, 2022.

Current assets of the Partnership as of March 31, 2023 totaled approx. $827 million compared with approx. $771 million as of December 31, 2022, as specified below:

(1) **Cash and cash equivalents** as of March 31, 2023 totaled approx. $84 million, compared with approx. $22 million as of December 31, 2022. The increase mainly derived from revenues from the sale of natural gas in the Leviathan project. Conversely, the Partnership made payments during the Report Period, mainly for the distribution of profits to holders of the participation units and oil and gas levy profit advances for the Partnership's holdings in the Tamar project in previous years.

(2) **Short-term investments and deposits** as of March 31, 2023 totaled approx. $399 million, compared with approx. $396 million as of December 31, 2022, and include mainly deposits which serve as a safety cushion for the Leviathan Bond Bonds in the sum of approx. $387 million, compared with approx. $384 million as of December 31, 2022.

(3) **Trade receivables** as of March 31, 2023 totaled approx. $216 million, compared with approx. $199 million as of December 31, 2022. The increase mainly derived from an increase in the Partnership's revenues from natural gas from the Leviathan project.

(4) **Other receivables** as of March 31, 2023 totaled approx. $120 million, compared with approx. $134 million as of December 31, 2022. The decrease mainly derived from a decrease in the balance of the operator in the joint venture in the Leviathan project.

(5) **Current taxes receivable** as of March 31, 2023 totaled approx. $7 million, compared with a total of approx. $20 million as of December 31, 2022. The decrease mainly derived from recording of a liability for payment of the current taxes from the Partnership's taxable income for the Report Period.

Non-current assets as of March 31, 2023 totaled approx. $3,202 million, compared with a total of approx. $3,168 on December 31, 2022, as specified below:

(1) **Investments in oil and gas assets** as of March 31, 2023 totaled approx. $2,564 million, compared with a total of approx. $2,547 million as of December 31, 2022. The movement during the Report Period mainly derived from depreciation, depletion, and amortization expenses in the Leviathan project totaling approx. $18 million. Conversely, the Partnership made investments (most in drilling Leviathan 8) and updated a retirement asset in the Leviathan project in the sum total of approx. $32 million.

(2) **Investment in a company accounted for at equity** as of March 31, 2023 totaled approx. $58 million, compared with approx. $60 million as of December 31, 2022, and is due to the investment in EMED shares. The decrease derived from registration of loss for investment in a company accounted for at equity in the Report Period, which was largely due to the impairment of excess purchase cost.

(3) **Long-term deposits in banks** as of March 31, 2023 totaled approx. $0.5 million, similar to December 31, 2022.

(4) **Other long-term assets** as of March 31, 2023 totaled approx. $580 million, compared with approx. $560 million as of December 31, 2022. The increased mainly derived from oil and gas levy profit advances for the Partnership's holdings in the Tamar project in previous years, and from revaluation of royalties and debt receivable in respect of the Karish and Tanin leases. For further details, see Notes 5A and 5D to the Condensed Interim Financial Statements attached below.

The current liabilities as of March 31, 2023 totaled approx. $584 million, compared with approx. $582 million as of December 31, 2022, as specified below:

(1) **Current maturities of bonds** as of March 31, 2023 totaled approx. $391 million, compared with a total of approx. $425 million as of December 31, 2022, including the 2023 series of the Leviathan Bond Bonds net of issue expenses and net of bonds which were purchased under the buyback plan as specified in Section E below. For further details regarding the bonds, see Section C and Part Four below.

(2) **Declared profits for distribution** as of March 31, 2023 totaled approx. $60 million which were distributed in April 2023. Declared profits for distribution as of December 31, 2022 totaled approx. $50 million, which were distributed in January 2023.

(3) **Trade and other payables** as of March 31, 2023 totaled approx. $123 million, compared with approx. $97 million as of December 31, 2022. The increase mainly derived from interest expenses payable for Leviathan Bond Bonds in the sum of approx. $34 million. Conversely there was a decrease in the balance of the operator in the joint ventures.

(4) **Other short-term liabilities** as of March 31, 2023 totaled approx. $11 million, compared with approx. $10 million as of December 31, 2022, and derive from the oil and gas asset retirement obligation in the Yam Tethys project.

Non-current liabilities as of March 31, 2023 totaled approx. $2,096 million, compared with approx. $2,070 as of December 31, 2022, as specified below:

(1) **Bonds** as of March 31, 2023 totaled approx. $1,732 million compared with approx. $1,731 million as of December 31, 2022, and include the Leviathan Bond Bonds net of issue expenses (for details see Part Four below).

(2) **Deferred taxes liability** as of March 31, 2023 totaled approx. $293 million, compared with approx. $270 million as of December 31, 2022. The increase mainly derived from an increase in temporary differences between the tax basis of oil and gas assets and their basis in the financial statements.

(3) **Other long-term liabilities** as of March 31, 2023 totaled approx. $71 million, compared with approx. $69 million as of December 31, 2022. The increase mainly derived from an update to the asset retirement obligation in the Leviathan project.

The capital of the limited partnership as of March 31, 2023 totaled approx. $1,349 million, compared with approx. $1,287 million as of December 31, 2022. The change in capital mainly derives from net profit that was recorded in the Report Period in the sum of approx. $121 million, which was offset by profits distributed in the sum total of approx. $60 million.

B. Cash flow

(1) The cash flows generated by the Partnership from operating activities totaled, in the Report Period, approx. $167 million, compared with approx. $135 million in the same period last year. The increase mainly derived from an increase in the comprehensive income in the period.

(2) The cash flows used for investment activities totaled, in the Report Period, approx. $21 million, compared with approx. $45 million in the same period last year. In the Report Period, the Partnership invested approx. $24 million in oil and gas assets, mainly in the Leviathan project, as well as a net increase of approx. $3 million in short-term investments and deposits. Conversely, in the Report Period royalties totaling approx. $6 million were received from Energean for the Karish and Tanin leases.

(3) The cash flows used for financing activities totaled, in the Report Period, approx. $84 million, compared with approx. $242 million in the same period last year. The cash flows in the Report Period were mainly used for the distribution of profits to holders of the participation units and the buyback of Leviathan Bond Bonds as stated in Section E below, compared with the cash flows in the same period last year which were mainly used for the distribution of profits, balancing and tax payments, and payments on account of the tax for which the holders of the participation units are liable.

C. Financing

(1) On February 5, 2023, the Partnership signed documents for bank credit facilities with an Israeli bank, intended to be used by the Partnership for its current operations. In accordance with the terms and conditions of the credit facilities, the Partnership may, during a period starting on February 6, 2023 and ending on February 6, 2024, from time to time withdraw dollar loans up to a total of $150

million (divided into two facilities: "Facility A" up to a total of $100 million and "Facility B" up to a total of $50 million).

On the undrawn share of each of the credit facilities, the Partnership shall pay a quarterly commitment fee at an annual rate of 0.65%, until its withdrawal by the Partnership or until February 6, 2024, whichever is earlier.

Any loan which will be withdrawn from "Facility A" shall be repaid by May 30, 2025 and shall bear SOFR interest plus a margin of 2.7% per annum.

Any loan which shall be withdraws from "Facility B" shall be repaid in 4 quarterly payments in 2024 and shall bear SOFR interest plus a margin of 3% per annum.

As of the Report release date, the Partnership has not withdrawn any amount from the said credit facilities.

For further details, see Note 10D of the financial statements as of December 31, 2022.

(2) On April 10, 2023, the subsidiary Leviathan Bond Ltd. notified the holders of the bonds it issued to foreign and Israeli accredited investors, which are listed on the TACT-Institutional system of the TASE, of the partial prepayment of the first series of the bonds, whose original maturity date is June 30, 2023, in accordance with the provisions of the bonds' indenture (the "**Prepayment Notice**"). In accordance with the Prepayment Notice, the first series was partially repaid on May 1, 2023, in the sum of $280 million (the "**Principal Amount**"), out of a total series amount of $500 million, in lieu of the original maturity, as stated above. The partial prepayment amount included the Principal Amount, plus accrued interest in the sum of approx. $4.5 million. It is noted that, in accordance with the terms and conditions of the bonds, the repayment of the first series during the quarter prior to the original maturity date was not subject to the payment of a prepayment fee to the holders of the bonds. For further details see Part Four below.

D. <u>Profit Distributions:</u>

(1) On March 1, 2023, the General Partner' board of directors approved a minimal distribution to the limited partner in the sum of ILS 1 million (approx. $0.3 million), to be used for payment of the supervisor's fees and the trustee's fees and expenses, in accordance with the provisions of the trust agreement.

(2) On March 27, 2023, the General Partner's board of directors approved, after receiving the recommendation of the General Partner's Financial Statements Review Committee, a profit distribution in the sum total of $60 million ($0.05112 per participation unit), with the record date for the distribution being April 9, 2023, and the said profit distribution performed on April 20, 2023.

(3) On May 10, 2023, the General Partner's board of directors approved, after receiving the recommendation of the General Partner's Financial Statements Review Committee, profit distributions in a sum total of $50 million ($0.04260 per participation unit), with the record date for the distribution being May 22, 2023, and the said profit distribution to be performed on June 15, 2023.

(4) On April 30, 2023, the Partnership released a temporary tax certificate for an entitled holder and a seller of participation units due to the holding of participation units of the Partnership for 2021.

E. <u>Buyback of Leviathan Bond Bonds program:</u>

On May 22, 2022, the Board of Directors of the General Partner authorized a plan for the purchase of Leviathan Bond Bonds, in an aggregate amount of up to $100 million for a period of two years. The Partnership carried out buybacks under the said purchase program in the sum of approx. $100 million. Further thereto, on January 22, 2023, the Board of Directors of the General Partner approved for the Partnership to adopt another plan for the purchase of Leviathan Bond Bonds in an aggregate amount of up to $100 million, by way of an OTC purchase, a purchase on the TACT-Institutional system or by other methods (the "**Additional Purchase Plan**"). The Additional Purchase Plan took effect on January 23, 2023, and will end after two years, namely on January 23, 2023. As of the date of approval of the financial statements, the Partnership had performed a total of approx. $9 million in buybacks in accordance with the Additional Purchase Plan.

For further details, see Part Four below.

F. For details on the Covid pandemic and its impact on the Partnership's business, see Section 3F of Part One of the Report of the Board of Directors (Chapter B) in the Periodic Report of December 31, 2022.

G. For details on the military conflict between Russia and Ukraine and its possible impact on the Partnership's business, see Section 3G of Part One of the Report of the Board of Directors (Chapter B) in the Periodic Report of December 31, 2022.

H. For details on inflation and the increase in interest and their possible impact on the Partnership's business and financial disclosure and reporting, see Section 3H of Part One of the Report of the Board of Directors (Chapter B) in the Periodic Report of December 31, 2022.

Part Two – Exposure to and Management of Market Risks

Report on exposure to and management of market risks

4. Sensitivity tests

In accordance with Amendment 5767 to the provisions of the Second Schedule to the Securities Regulations (Immediate and Periodic Reports), 5730-1970, the Partnership carried out tests of sensitivity to changes in risk factors affecting the fair value of “sensitive instruments”.

Description of parameters, assumptions and models

Parameters:

Parameter	Source/Method of Treatment
ILS/Dollar exchange rate	Representative rate as of March 31, 2023
Dollar interest	Capitalization interest / SOFR interest

a. Analysis of sensitivity of the value of royalties and a loan to Energean from the sale of the Karish and Tanin leases to changes in the cap rate ($ in millions):

Sensitive instrument	Profit/(loss) from the changes		Fair value	Profit/(loss) from the changes	
	2%	1%		-1%	-2%
Royalties receivable from the Karish and Tanin leases	(23.5)	(12.3)	**324.9**	13.4	28.0
Loan to Energean as part of the sale of the Karish and Tanin leases	(1.7)	(0.9)	**52.7**	0.9	1.8

b. Analysis of sensitivity of the value of contingent proceeds in connection with royalties receivable from the Karish and Tanin leases to changes in the price of natural gas and condensate ($ in millions):

Below are extended sensitivity tests in respect of a change in the natural gas and condensate prices when the other variables remain fixed, and the effect thereof on revaluation of the royalties receivable from the Karish and Tanin leases:

Sensitive instrument	Profit/(loss) from the changes in the natural gas prices				Fair value	Profit/(loss) from the changes in the natural gas prices			
	30%	20%	10%	5%		-5%	-10%	-20%	-30%
Royalties receivable from the Karish and Tanin leases	40.9	27.3	13.5	5.2	**324.9**	(13.5)	(22.1)	(35.9)	(32.2)

Sensitive instrument	Profit/(loss) from the changes in the condensate prices				Fair value	Profit/(loss) from the changes in the condensate prices			
	30%	20%	10%	5%		-5%	-10%	-20%	-30%
Royalties receivable from the Karish and Tanin leases	25.8	18.9	9.4	4.7	**324.9**	(4.7)	(14.6)	(24.2)	(32.5)

c. Tests of sensitivity to changes in the Dollar/ILS exchange rate ($ in millions):

Sensitive instrument	Profit/(loss) from the changes		Fair value	Profit/(loss) from the changes	
	10%	5%		-5%	-10%
	4.175	3.796	3.615	3.434	3.254
Cash and cash equivalents	(0.1)	-*	0.5	-*	0.1
Bank deposits	-*	-*	0.2	-*	-*
Trade and other payables	0.1	-*	(0.9)	-*	(0.1)
Total	**-***	**-***	**(0.2)**	**-***	**-***

* Balance less than *0.1 million

During the reported period there was no change in the areas of the Partnership's exposure or in the market risks, as were reported in the Board of Directors' Report for 2022, except as follows:

5. Report on linkage bases in Dollars in thousands, as of March 31, 2023:

	Financial Balances			
	In dollars or dollar-linked	In ILS, unlinked	Non-financial balances	Total
Assets				
Cash and cash equivalents	83.4	0.5	-	83.9
Short-term investments	398.6	0.2	-	398.8
Trade receivables	216.2	-	-	216.2
Other receivables	114.7	-	5.7	120.4
Current taxes receivable	-	-	7.3	7.3
Investments in oil and gas assets	-	-	2,563.7	2,563.7
Investment in company accounted for at equity	-	-	58.4	58.4
Long-term deposits	0.5	-	-	0.5
Other long-term assets	327.6	-	252.2	579.8
Total assets	**1,141.0**	**0.7**	**2,887.3**	**4,029.0**
Liabilities				
Declared profits for distribution	60.0	-	-	60.0
Trade and other payables	92.2	0.9	29.5	122.6
Other short-term liabilities	-	-	10.6	10.6
Bonds	2,123.2	-	-	2,123.2
Deferred tax liability	-	-	292.9	292.9
Other long-term liabilities	-	-	70.7	70.7
Total liabilities	**2,275.4**	**0.9**	**403.7**	**2,680.0**
Total net assets	**(1,134.4)**	**(0.2)**	**2,483.6**	**1,349.0**

6. <u>Report on linkage bases in Dollars in thousands, as of December 31, 2022:</u>

Financial Balances				
	In dollars or dollar-linked	In ILS, unlinked	Non-financial balances	Total
Assets				
Cash and cash equivalents	19.8	2.6	-	22.4
Short-term investments	395.7	0.2	-	395.9
Trade receivables	199.0	-	-	199.0
Other receivables	130.0	-	4.1	134.1
Current taxes receivable	-	-	19.9	19.9
Investments in oil and gas assets	-	-	2,547.2	2,547.2
Investment in company accounted for at equity	-	-	59.7	59.7
Long-term deposits	0.5	-	-	0.5
Other long-term assets	321.0	-	239.3	560.3
Total assets	**1,066.0**	**2.8**	**2,870.2**	**3,939.0**
Liabilities				
Declared profits for distribution	50.0	-	-	50.0
Other short-term liabilities	-	-	9.9	9.9
Trade and other payables	61.9	1.1	33.9	96.9
Bonds	2,155.8	-	-	2,155.8
Deferred taxes	-	-	269.8	269.8
Other long-term liabilities	-	-	69.2	69.2
Total liabilities	**2,267.7**	**1.1**	**382.8**	**2,651.6**
Total net assets	**(1,201.7)**	**1.7**	**2,487.4**	**1,287.4**

Part Three – Disclosure on the Corporation's Financial Reporting

1. Subsequent events

For material events after the date of the condensed statement of financial position, see Note 7 to the financial statements as of March 31, 2023, which are attached below.

2. Critical accounting estimates

No material change occurred in the Report Period compared with the report for 2022.

Part Four – Details regarding bonds issued by Leviathan Bond Ltd.

Leviathan Bond series	2023	2025	2027	2030
Par value on the issue date	500	600	600	550
Issue date	August 18, 2020	August 18, 2020	August 18, 2020	August 18, 2020
Par value as of March 31, 2023	500	600	600	550
Linked par value as of March 31, 2023	500	600	600	550
Value in the Partnership's books as of March 31, 2023[2]	398.4	605.8	603.7	550.7
TASE value as of March 31, 2023[3]	396.2	593.9	587.4	526.0
Fixed annual interest rate	5.750%	6.125%	6.500%	6.750%
Principal payment date[4]	June 30, 2023	June 30, 2025	June 30, 2027	June 30, 2030
Interest payment dates	Semiannual interest payable on every June 30th and every December 30th from the issue date in 2020-2023	Semiannual interest payable on every June 30th and every December 30th from the issue date in 2020-2025	Semiannual interest payable on every June 30th and every December 30th from the issue date in 2020-2027	Semiannual interest payable on every June 30th and every December 30th from the issue date in 2020-2030
Linkage base: base index[5]	None			
Conversion right	None			
Right to prepayment or mandatory conversion[6]	Right to prepayment			
Guarantee for payment of the liability	See Note 10B to the financial statements as of December 31, 2022.			
Name of the trustee	HSBC Bank USA, National Association			
Name of person in charge at the trust company	Asma Alghofailey			
Trustee's address and e-mail	HSBC Bank USA, National Association, as TRUSTEE 452 5th Avenue, 8E6 New York, NY 10018 asma.x.alghofailey@us.hsbc.com			

[2] See Section 3E of Part One above regarding the bonds buyback plan which was adopted by the board of directors.
[3] The bonds are traded in Israel on the "TACT-institutional" system on TASE
[4] See Section 3C of Part One above regarding partial prepayment of the 2023 bond series.
[5] The bonds' principal and interest are depicted in dollars.
[6] The financing documents prescribe provisions regarding the prepayment of the bonds, including (1) prepayment initiated by the issuer, subject to a prepayment fee (make whole premium); and (2) mandatory prepayment in certain cases that were defined, including by way of a bond buyback and/or an issuance of a purchase offer to all of the bond holders, including upon the sale of all or part of the rights in the Leviathan project.

Leviathan Bond series	2023	2025	2027	2030
Rating as of the issue date[7]	Fitch Rating: BB stable Moody's: Ba3 Stable S&P: BB- Stable Standard & Poor's Maalot: ilA+ stable			
Rating as of the report date[8]	Fitch Rating: BB stable Moody's: Ba3 Stable S&P: BB- Stable Standard & Poor's Maalot: ilA+ stable			
Has the company fulfilled, by March 31, 2023 and during the report year, all of the conditions and obligations under the indenture	Yes			
Is the bond series material[9]	Yes			
Have any conditions establishing cause for acceleration of the bonds been fulfilled	No			
Pledges to secure the bonds	See Note 10B to the financial statements as of December 31, 2022			

Additional information

The board of directors of the General Partner expresses its appreciation of the management of the General Partner, the officers and the entire team of employees for their dedicated work and their significant contribution to the promotion of the Partnership's business.

Sincerely,

Yossi Abu CEO	**Gabi Last** Chairman of the Board

NewMed Energy Management Ltd.
On behalf of: NewMed Energy – Limited Partnership

[7] See the Partnership's immediate reports of August 19, 2020 (Ref. No. 2020-01-090852 and 2020-01-091134), and of August 23, 2020 (Ref. No. 2020-01-092247), the information included in which is incorporated herein by reference.
[8] For updated rating reports, see the Partnership's immediate reports of February 8, 2022, November 13, 2022, March 16, 2022, and March 16, 2022 (Ref. no.: 2022-01-016279, 2022-01-13598, 2023-01-027774, and 2023-01-027771 respectively), the information appearing in which is included herein by way of reference.
[9] A series of bond certificates will be deemed material if the total liabilities of the corporation thereunder at the end of the Report Year, as presented in the financial statements, constitute five percent or more of the total liabilities of the corporation.

Annex A to the Board of Directors' Report
Figures regarding Leviathan Bond Ltd.

Further to Note 10B to the financial statements as of December 31, 2022 and to Part Four of the Board of Directors' Report, and following a tax ruling received by the Partnership immediately prior to the bond offering, below are financial figures which will be disclosed to the holders of the Leviathan Bond Bonds.

Statements of Financial Position (Expressed in US$ Thousands)

	Mar. 31, 2023 Unaudited	Mar. 31, 2022 Unaudited	Dec. 31, 2022 Audited
Assets:			
Current Assets:			
Short term Bank deposits	255,958	4	253,279
Loans to shareholders	499,789	-	499,603
Interest Receivable	35,406	35,406	-
Related parties	**	**	**
	791,153	35,410	752,882
Noncurrent Assets:			
Loans to shareholders	1,749,400	2,248,194	1,749,625
Long term bank deposits	-	100,190	-
	1,749,400	2,348,384	1,749,625
	2,540,553	2,383,794	2,502,507
Liabilities and Equity:			
Current Liabilities:			
Bonds	500,000	194	500,000
Related parties	191,364	35,406	153,279
	691,364	35,600	653,279
Noncurrent Liabilities:			
Bonds	1,750,000	2,250,000	1,750,000
Loans from shareholders	100,000	100,000	100,000
	1,850,000	2,350,000	1,850,000
Equity (Deficit)	(811)	(1,806)	(772)
	2,540,553	2,383,794	2,502,507

*** Less than $1,000**

Statements of Comprehensive Income (Expressed in US$ Thousands)

	For the Period Ended Mar. 31,2023 Unaudited	For the Period Ended Mar. 31, 2022 Unaudited	For the Year Ended Dec. 31, 2022 Audited
Financial expenses	38,963	35,456	146,252
Financial income	(38,924)	(35,568)	(147,398)
Total comprehensive expenses (income)	39	(112)	(1,146)

[10]SPONSOR FINANCIAL DATA REPORT

	ITEM	PERIOD ENDED MARCH 31, 2023 QUANTITY/ACTUAL AMOUNT (IN USD$,000)
A.	Total Offtake (BCM)	[11]2.8
B.	Leviathan Revenues (100%)	619,966[12]
C.	Loss Proceeds, if any, paid to Revenue Account	-
D.	Sponsor Deposits, if any, into Revenue Account	-
E.	Gross Revenues (before Royalties)	267,705
F.	Overriding Royalties	
	(a) Statutory Royalties	(32,537)
	(b) Third Party Royalties	(12,905)
G.	Net Revenues	222,263
H.	Costs and Expenses:	
	(a) Fees Under the Financing Documents (Interest Income)	878
	(b) Taxes	-
	(c) Operation and Maintenance Expenses	(33,978)
	(d) Capital Expenditures	(16,873)
	(e) Insurance (income)	(8,073)
I.	Total Costs and Expenses (sum of Items H(a), (b), (c), (d) and (e))	(58,046)
J.	Total Cash Flows Available for Debt Service (Item G *minus* Item H)	164,217
K.	Total Cash Flow from operation (Item G minus Items H(c) and H(e)	180,212
L.	Total Debt Service	(34,082)[13]
M.	Total Distribution to the Sponsor	130,000

[10] The aforesaid report is delivered to the trustee for the bonds on a quarterly and annual basis and represents the cash flow deriving for the Partnership from the Leviathan project relative to the amounts required for the debt service in such period.
[11] Gas sales from January 1, 2023 until March 31, 2023 for 100% of the Leviathan partners on an accrual basis.
[12] Gas sales from January 1, 2023 until March 31, 2023 for 100% of the Leviathan partners on an accrual basis.
[13] Including buyback of bonds by the sponsor of approximatetly $34 million.

Annex B to the Board of Directors' Report

Summary of Data of a Valuation of Royalties from the Karish and Tanin Leases

Following are details of a highly material valuation with respect to the profit from the revaluation of royalties from the sale of the Partnership's interests in the Karish and Tanin leases (for further details, see Note 7A to the financial statements attached below and the valuation attached below):

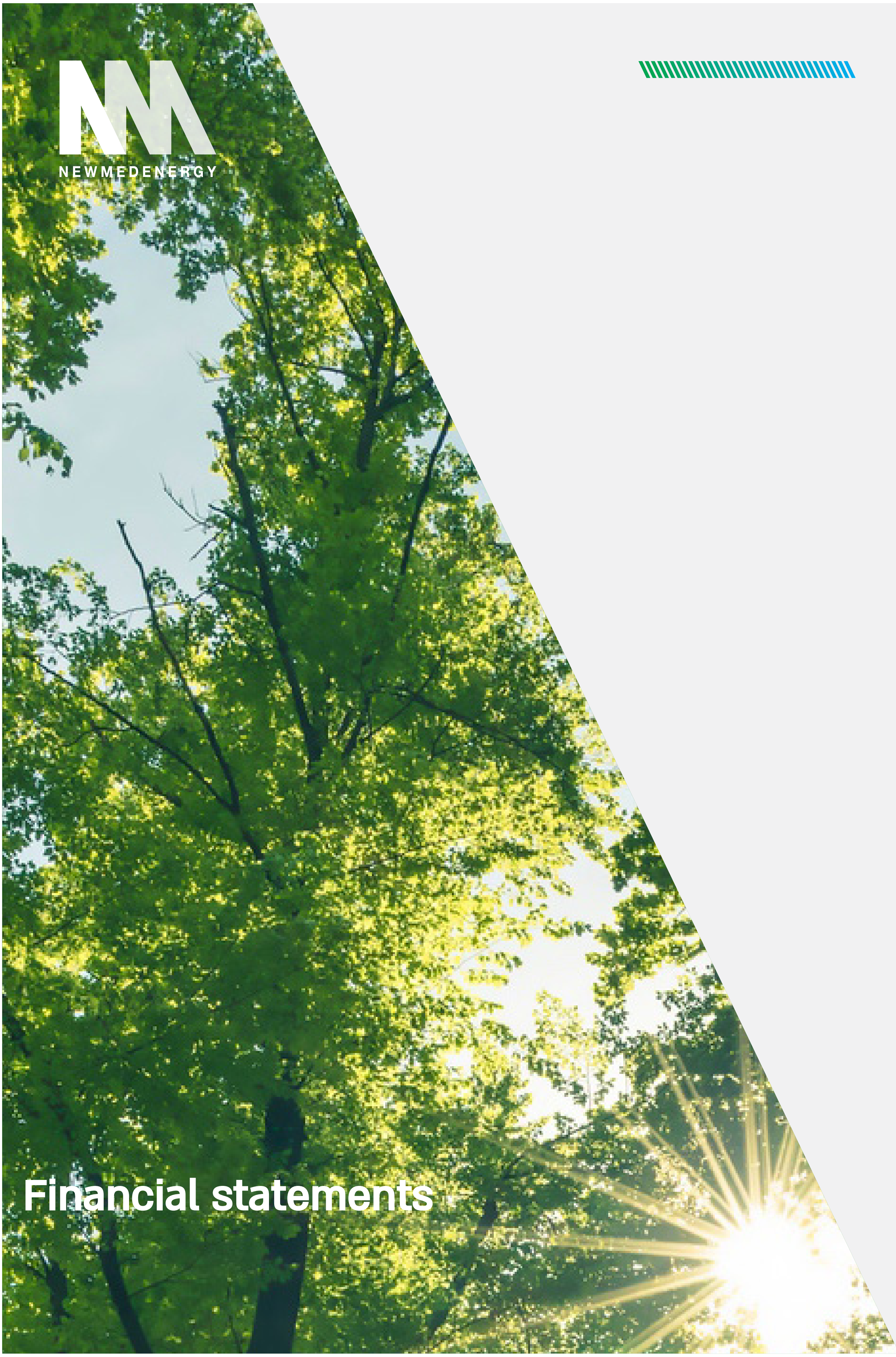
Identification of the object of the valuation:	Royalties in respect of the sale of all of the interests in the Karish and Tanin leases.
Timing of the valuation:	March 31, 2023
Value of the object of the valuation shortly before the date of the valuation, if GAAP, including depreciation and amortization, did not warrant a change in its value according to the valuation:	Not applicable.
Value of the object of the valuation determined according to the valuation:	A sum of approx. $324.9 million, which is included under other long-term assets of the Partnership and in the Partnership's short term receivables.
Identification of the valuator and his/its characteristics, including education, experience in the preparation of valuations for accounting purposes in reporting corporations and in scopes similar to or exceeding those of the reported valuation, and dependence on the party commissioning the valuation, including reference to indemnification agreements with the valuator:	Giza Singer Even Economic and Financial Consulting Ltd. is a subsidiary of Giza Singer Even Ltd. (jointly: the "**Valuator**"), which is a leading financial consulting and investment banking firm in Israel. The firm has vast experience in supporting the largest companies, prominent privatizations and the most important transactions in the Israeli market, which experience was gained thereby over the course of its 30 years of activity. Giza Singer Even is active in three segments, through autonomous and independent business divisions: economic consulting; investment banking; analytical research and corporate governance. The work was performed by a team headed by CPA Gadi Beeri, Head of the Economics and Corporate Finance Department and Senior Partner at Giza Singer Even. Gadi Beeri is an expert with extensive experience in corporate finance and financial consulting. He holds a BA in Economics and an MBA from Tel Aviv University. The Valuator has no personal interest in and/or dependence on the Partnership and/or NewMed Energy Management Ltd., the general partner of the Partnership (the "**General Partner**"), other than the fact that it received a fee for the valuation. Furthermore, the Valuator has confirmed that its fee is not contingent on the results of the valuation. In addition, insofar as the Valuator shall be bound by a peremptory judgment to pay any sum to a third party in connection with the work, the Partnership shall pay the Valuator the sum charged to the Valuator in excess of

Identification of the object of the valuation:	Royalties in respect of the sale of all of the interests in the Karish and Tanin leases.
	the fee paid for the work multiplied by 3. It is noted that this indemnification undertaking shall not apply should it be ruled that the Valuator acted with negligence or intentional misconduct in connection with the performance of the work.
The valuation model applied by the Valuator:	Discounting expected cash flows while adjusting the discount rates to the risks entailed by the cash flow forecasts.
The assumptions based on which the Valuator prepared the valuation according to the valuation model:	The key assumptions underlying the valuation are as follows: 1. Period of production from the Karish lease: October 1, 2022 to December 31, 2042; 2. Average annual rate of natural gas production from the Karish lease: approx. 3. BCM; /average annual rate of condensate production from the Karish lease: approx. 4.52 million barrels; 3. Period of production of gas from the Tanin reservoir: January 1, 2030 to December 31, 2041; 4. Average annual rate of natural gas production from the Tanin lease: approx. 2.17 BCM; average annual rate of condensate production from the Tanin lease: approx. 0.37 million barrels; 5. Royalty component cap rate: 11.0%; 6. Effective royalty rate to be paid to the State for the gas and the condensate: 11.25%; 7. Gas price formula: The basic price in the contracts according to which the valuation was prepared was estimated based on the formula specified in the price mechanism between Energean and ICL and ORL and between Energean and OPC and weighting the price of the gas in the Ramat Hovav contract; 8. Condensate price: The condensate price forecast was estimated based on a long-term oil price forecast average of the World Bank[14] and the EIA[15] and the forward prices of Brent according to Bloomberg data and based on the assumption that the condensate price will derive from the Brent price with adjustments to oil quality

[14] A World Bank quarterly report: Commodity Markets Outlook, April 2023.

[15] U.S Energy Information Administration: Analysis & Projections, April 2023.

Identification of the object of the valuation:	Royalties in respect of the sale of all of the interests in the Karish and Tanin leases.
	differences; 9. On March 23, 2023, Energean released an updated resource report of D&M (the "**Updated Report**"), a certified reserves and resources valuator, for the Karish and Tanin leases. According to the Updated Report, the gas quantity in the Karish reservoir is approx. 39.4 BCM and the quantity of the hydrocarbon liquids is approx. 54.2 MMBBL; the gas quantity in the Karish North reservoir is approx. 34.2 BCM and the quantity of the hydrocarbon liquids is approx. 36.9 MMBBL; and the gas quantity in the Tanin lease is approx. 26.1 BCM and the quantity of the hydrocarbon liquids is approx. 4.5 MMBBL. 10. Petroleum profit levy: According to the Petroleum Profit Taxation Law, 5771-2011; 11. Corporate tax rate: 23%.



Financial statements

May 10, 2023

To

The Board of Directors of the General Partner of NewMed Energy – Limited Partnership (the "Partnership")

<u>19 Abba Eban, Herzliya</u>

Dear Sir/Madam,

Re: <u>Consent given simultaneously with the release of a periodic report in connection with the shelf prospectus of the Partnership (the "Offering Document")</u>

We hereby notify you that we agree to the inclusion (including by way of reference) in the above referenced Offering Document of our report as specified below:

A review report of May 10, 2023 on the Partnership's condensed financial information as of March 31, 2023 and for the three-month period then ended.

Kost Forer Gabbay & Kasierer Certified Public Accountants	Ziv Haft Certified Public Accountants

This report is a convenience translation of NewMed Energy – Limited Partnership's Hebrew-language Quarterly Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure pursuant to Section 38C(a) of the Securities Regulations (Immediate and Periodic Reports), 5730-1970. The original Hebrew-language version is the only binding version and shall prevail in any event of discrepancy.

Quarterly Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure pursuant to Regulation 38C(a) of the Securities Regulations (Immediate and Periodic Reports), 5730-1970

The management of NewMed Energy – Limited Partnership (the "**Partnership**"), under the supervision of the board of directors of the general partner of the Partnership, NewMed Energy Management Ltd. (the "**GP**"), is responsible for setting and maintaining proper internal control over financial reporting and disclosure at the Partnership.

For this purpose, the members of management are:

1. Gabi Last, Chairman of the Board of the GP;
2. Yossi Abu, CEO of the Partnership;
3. Tzachi Habusha, VP Finance and Market Risk Manager of the Partnership.

Internal control over financial reporting and disclosure consists of controls and procedures existing at the Partnership, designed by, or under the supervision of, the CEO and the most senior financial officer, or by anyone actually performing such functions, under the supervision of the board of directors of the GP, and which are designed to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of the reports according to the provisions of the law, and to ensure that information which the Partnership is required to disclose in reports released thereby according to the law is gathered, processed, summarized and reported within the time frames and in the format set forth by the law.

Internal control includes, *inter alia*, controls and procedures designed to ensure that information which the Partnership is thus required to disclose, is gathered and transferred to the management of the Partnership, including the CEO and the most senior financial officer, or anyone actually performing such functions, in order to enable the timely decision making in reference to the disclosure requirements.

Due to its inherent limitations, internal control over financial reporting and disclosure is not designed to provide absolute assurance that misrepresentation or omission of information in the reports will be avoided or discovered.

In the annual report on the effectiveness of the internal control over financial reporting and disclosure, which was attached to the periodic report for the period ended December 31, 2022 (the "**Latest Annual Report on Internal Control**"), the board of directors of the GP and the management of the Partnership evaluated the internal control in the Partnership. Based on such evaluation, the board of directors of the GP and the management of the Partnership came to the conclusion that such internal control, as of March 31, 2023, is effective.

Until the date of the report, no occurrence or issue were brought to the attention of the board of directors of the GP and the management of the Partnership, which may change the evaluation of the effectiveness of the internal control, as was presented in the Latest Annual Report on Internal Control.

As of the date of the report, based on the Latest Annual Report on Internal Control, and based on information which was brought to the attention of the management of the Partnership and the board of directors of the GP as aforesaid, the internal control is effective.

Statement of CEO pursuant to Section 38C(d)(1) of the Regulations:

Statement of Managers

Statement of CEO

I, Yossi Abu, state that:

(1) I have reviewed the quarterly report of NewMed Energy - Limited Partnership (the "**Partnership**") for Q1/2023 (the "**Reports**");

(2) To my knowledge, the Reports do not contain any misrepresentation nor an omission of a material fact required for the representations included therein, given the circumstances under which such representations were included, not to be misleading with regard to the period of the Reports;

(3) To my knowledge, the financial statements and other financial information included in the Reports adequately reflect, in all material respects, the financial position, operating results and cash flows of the Partnership for the periods and as of the dates covered by the Reports;

(4) I have disclosed to the Partnership's auditors, the board of directors and the audit and financial statements review committees of the GP in the Partnership, based on my most current evaluation of internal control over financial reporting and disclosure:

(a) Any and all significant flaws and material weaknesses in the setting or maintaining internal control over financial reporting and disclosure which may reasonably adversely affect the Partnership's ability to gather, process, summarize or report financial information in a manner which casts a doubt on the reliability of the financial reporting and preparation of the financial statements in conformity with the provisions of the law; and –

(b) Any fraud, either material or immaterial, which involves the CEO or anyone reporting to him directly or which involves other employees who play a significant role in internal control over financial reporting and disclosure;

(5) I, myself or jointly with others in the GP in the Partnership:

(a) Have set controls and procedures, or confirmed, under my supervision, the setting and maintaining of controls and procedures, which are designed to ensure that material information in reference to the Partnership is brought to my knowledge by others in the Partnership, particularly during the preparation of the Reports; and -

(b) Have set controls and procedures, or confirmed, under my supervision, the setting and maintaining of controls and procedures, which are designed to reasonably ensure reliability of financial reporting and preparation of the financial statements in conformity with the provisions of the law, including in conformity with GAAP;

(c) No occurrence or issue have been brought to my attention that occurred during the period between the date of the latest report (the periodic report as of December 31, 2022) and the date hereof, which can change the conclusion of the board of directors of the GP in the Partnership and management of the Partnership with regard to the effectiveness of internal control over the Partnership's financial reporting and disclosure.

The aforesaid does not derogate from my responsibility or from the responsibility of any other person, pursuant to any law.

May 10, 2023	Yossi Abu, CEO

Statement of the most senior financial officer pursuant to Section 38C(d)(2) of the Regulations:

Statement of Managers

Statement of the most senior financial officer

I, Tzachi Habusha, state that:

(1) I have reviewed the interim financial statements and the other financial information included in the interim reports of NewMed Energy - Limited Partnership (the "**Partnership**") for Q1/2023 (the "**Reports**" or the "**Interim Reports**");

(2) To my knowledge, the interim financial statements and the other financial information included in the Interim Reports do not contain any misrepresentation nor omission of a material fact required for the representations included therein, given the circumstances under which such representations were included, not to be misleading with regard to the period of the Reports;

(3) To my knowledge, the interim financial statements and the other financial information included in the Interim Reports adequately reflect, in all material respects, the financial position, operating results of operations and cash flows of the Partnership for the periods and as of the dates covered by the Reports;

(4) I have disclosed to the Partnership's auditors and to the board of directors and the audit and financial statement review committees of the GP in the Partnership, based on my most current evaluation of internal control over financial reporting and disclosure:

(a) Any and all significant flaws and material weaknesses in the setting or maintaining internal control over financial reporting and disclosure, insofar as it relates to the interim financial statements and the other financial information included in the Interim Reports, which may reasonably adversely affect the Partnership's ability to gather, process, summarize or report financial information in a manner which casts doubt on the reliability of the financial reporting and preparation of the financial statements in conformity with the provisions of the law; and –

(b) Any fraud, either material or immaterial, which involves the CEO or anyone reporting to him directly or which involves other employees who play a significant role in internal control over financial reporting and disclosure.

(5) I, myself or jointly with others in the GP in the Partnership:

(a) Have set controls and procedures, or confirmed, under my supervision, the setting and maintaining of controls and procedures, which are designed to ensure that material information in reference to the Partnership is brought to my knowledge by others at the Partnership, particularly during the preparation of the Reports; and –

(b) Have set controls and procedures, or confirmed, under my supervision, the setting and maintaining of controls and procedures, which are designed to reasonably ensure reliability of financial reporting and preparation of the financial statements in conformity with the provisions of the law, including in conformity with GAAP;

(c) No occurrence or issue have been brought to my attention, that occurred during the period between the date of the latest report (the periodic report as of December 31, 2022) and the date hereof, pertaining to the interim financial statements and any other financial information included in the Interim Reports, which could, in my opinion, change the conclusion of the board of directors of the GP in the Partnership and management of the Partnership with regard to the effectiveness of internal control over the Partnership's financial reporting and disclosure.

The aforesaid does not derogate from my responsibility or from the responsibility of any other person, pursuant to any law.

May 10, 2023	Tzachi Habusha, VP Finance

NEWMEDENERGY

Report on the effectiveness of internal control over financial reporting and disclosure

NewMed Energy – Limited Partnership

Condensed Interim Financial Statements as of March 31, 2023

in U.S. Dollars in Millions

Unaudited

This report is a translation of NewMed Energy - Limited Partnership's Hebrew-language Condensed Interim Financial Statements as of March 31, 2023. It is prepared solely for convenience purposes. Please note that the Hebrew version is the binding version, and in any event of discrepancy, the Hebrew version shall prevail.

NewMed Energy – Limited Partnership

Condensed Interim Financial Statements as of March 31, 2023

in U.S. Dollars in Millions

Unaudited

Contents

Auditors' review report to the partners of NewMed Energy – Limited Partnership

Introduction

We have reviewed the accompanying financial information of NewMed Energy – Limited Partnership (the "**Partnership**") which includes the Condensed Statement of Financial Position as of March 31, 2023 and the Condensed Statements of Comprehensive Income, Changes in the Partnership's Equity and Cash Flows for the three-month period then ended. The board of directors and management of the Partnership's General Partner are responsible for the preparation and presentation of financial information for such interim period in accordance with IAS 34 "Interim Financial Reporting", and they are responsible for the preparation of financial information for such interim period under Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. Our responsibility is to express a conclusion on financial information for such interim period based on our review.

Scope of Review

We conducted our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel – "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Generally Accepted Auditing Standards in Israel, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the aforementioned financial information has not been prepared, in all material respects, in accordance with IAS 34.

In addition to the statements in the previous paragraph, based on our review, nothing has come to our attention which causes us to believe that the aforementioned financial information does not meet, in all material respects, the disclosure provisions under Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

Tel Aviv, May 10, 2023

Kost Forer Gabbay & Kasierer **Certified Public Accountants**	**Ziv Haft** **Certified Public Accountants**

NewMed Energy – Limited Partnership

Condensed Interim Statements of Financial Position (Dollars in millions)

	31.3.2023	31.3.2022	31.12.2022
	Unaudited		Audited
Assets:			
Current assets:			
Cash and cash equivalents	83.9	68.9	22.4
Short-term investments and deposits	398.8	144.9	395.9
Trade receivables	216.2	173.7	199.0
Trade and other receivables	120.4	93.1	134.1
Current taxes receivable	7.3	-	19.9
	826.6	**480.6**	**771.3**
Non-current assets:			
Investments in oil and gas assets	2,563.7	2,539.7	2,547.2
Investment in a company accounted for at equity	58.4	61.7	59.7
Long-term deposits	0.5	100.7	0.5
Other long-term assets	579.8	552.7	560.3
	3,202.4	**3,254.8**	**3,167.7**
	4,029.0	**3,735.4**	**3,939.0**
Liabilities and equity:			
Current liabilities:			
Current maturities of bonds	391.2	-	424.8
Declared profits for distribution	60.0	-	50.0
Income taxes payable	-	15.5	-
Trade and other payables	122.6	140.6	96.9
Other short-term liabilities	10.6	28.0	9.9
	584.4	**184.1**	**581.6**
Non-current liabilities:			
Bonds	1,732.0	2,226.2	1,731.0
Deferred taxes	292.9	224.0	269.8
Other long-term liabilities	70.7	77.9	69.2
	2,095.6	**2,528.1**	**2,070.0**
Equity:			
Partners' equity	154.8	154.8	154.8
Capital reserves	(29.5)	(29.8)	(29.9)
Retained earnings	1,223.7	898.2	1,162.5
	1,349.0	**1,023.2**	**1,287.4**
	4,029.0	**3,735.4**	**3,939.0**

The attached notes constitute an integral part of the condensed interim financial statements.

May 10, 2023			
Date of approval of the Financial Statements	Gabi Last Chairman of the Board	Yossi Abu CEO	Tzachi Habusha VP Finance

NewMed Energy – Limited Partnership
Condensed Interim Statements of Comprehensive Income (Dollars in millions)

	For the three-month period ended		For the year ended
	31.3.2023	31.3.2022	31.12.2022
	Unaudited		Audited
Revenues:			
From sale of natural gas and condensate	281.1	246.8	1,143.9
Net of royalties	41.1	36.0	172.0
Revenues, net	**240.0**	**210.8**	**971.9**
Expenses and costs:			
Cost of production of natural gas and condensate	38.2	33.7	134.1
Depreciation, depletion and amortization expenses	19.9	37.8	131.0
Other direct expenses	0.8	1.0	5.2
G&A	5.6	3.1	19.7
Total expenses and costs	**64.5**	**75.6**	**290.0**
The Partnership's share in the losses of a company accounted for at equity	(1.3)	(1.1)	(3.1)
Operating profit	**174.2**	**134.1**	**678.8**
Financial expenses	(37.2)	(38.4)	(155.3)
Financial income	19.9	20.0	71.1
Financial expenses, net	(17.3)	(18.4)	(84.2)
Profit before income taxes	**156.9**	**115.7**	**594.6**
Taxes on income	(36.2)	(31.6)	(116.0)
Profit from continuing operations	**120.7**	**84.1**	**478.6**
Loss from discontinued operations	-	-	(13.2)
Profit from the sale of natural gas and oil assets	-	-	4.3
Total loss from discontinued operations	**-**	**-**	**(8.9)**
Comprehensive income	**120.7**	**84.1**	**469.7**
Basic and diluted profit (loss) per participation unit (in Dollars):			
from continuing operations	0.103	0.072	0.408
from discontinued operations	-	-	(0.008)
Profit per participation unit	0.103	0.072	0.400
Number of participation units which is weighted for the purpose of the said calculation (in thousands)	1,173,815	1,173,815	1,173,815

The attached notes constitute an integral part of the condensed interim financial statements.

NewMed Energy – Limited Partnership

Condensed Interim Statements of Changes in the Partnership's Equity (Dollars in millions)

	The Partnership's equity	Capital reserve for equity-based financial instruments at fair value against other comprehensive income	Other capital reserves	Retained earnings	Total
			Unaudited		
For the three-month period ended March 31, 2023:					
Balance as of December 31, 2022 (audited)	**154.8**	**(57.0)**	**27.1**	**1,162.5**	**1,287.4**
Comprehensive income	-	-	-	120.7	**120.7**
Distributed profits	-	-	-	(0.3)	**(0.3)**
Declared profits for distribution		-	-	(60.0)	**(60.0)**
Tax advances receivable for previous years	-	-	-	0.8	**0.8**
Participation unit-based payment	-	-	0.4	-	**0.4**
Balance as of March 31, 2023	**154.8**	**(57.0)**	**27.5**	**1,223.7**	**1,349.0**

	The Partnership's equity	Capital reserve for equity-based financial instruments at fair value against other comprehensive income	Other capital reserves	Retained earnings	Total
			Unaudited		
For the three-month period ended March 31, 2022:					
Balance as of December 31, 2021 (audited)	**154.8**	**(57.0)**	**26.3**	**814.4**	**938.5**
Comprehensive income	-	-	-	84.1	**84.1**
Distributed profits	-	-	-	(0.3)	**(0.3)**
Capital reserve for benefits from a control holder	-	-	0.9	-	**0.9**
Balance as of March 31, 2022	**154.8**	**(57.0)**	**27.2**	**898.2**	**1,023.2**

	The Partnership's equity	Capital reserve for equity-based financial instruments at fair value against other comprehensive income	Other capital reserves	Retained earnings	Total
			Unaudited		
For the year ended December 31, 2022:					
Balance as of December 31, 2021	**154.8**	**(57.0)**	**26.3**	**814.4**	**938.5**
Comprehensive income	-	-	-	469.7	**469.7**
Distributed profits	-	-	-	(100.3)	**(100.3)**
Declared profits for distribution	-	-	-	(50.0)	**(50.0)**
Balancing payments for previous years	-	-	-	2.1	**2.1**
Tax advances receivable for previous years	-	-	-	26.6	**26.6**
Participation unit-based payment			0.8	-	**0.8**
Balance as of December 31, 2022	**154.8**	**(57.0)**	**27.1**	**1,162.5**	**1,287.4**

The attached notes constitute an integral part of the condensed interim financial statements.

NewMed Energy – Limited Partnership

Condensed Interim Statements of Cash Flows (Dollars in millions)

	For the three-month period ended		For the year ended
	31.3.2023	31.3.2022	31.12.2022
	Unaudited		Audited
Cash flows – operating activities:			
Profit for the period	**120.7**	**84.1**	**469.7**
Adjustments for:			
Depreciation, depletion and amortization	21.3	39.6	137.6
Taxes on income	36.2	31.6	59.5
Update of asset retirement obligations	8.1	1.9	(34.3)
Revaluation of short-term and long-term investments and deposits	(0.3)	0.4	(0.2)
Revaluation of liability for payment based on participation units	2.2	-	1.0
Benefit from a control holder included in expenses against a capital reserve	-	0.9	-
Revaluation of other long-term assets	(12.1)	(18.9)	(66.4)
Partnership's share in losses of company accounted for at equity	1.3	1.1	3.1
Profit from the sale of oil and gas assets	-	-	(4.3)
Changes in assets and liabilities items:			
Increase in trade receivables	(17.2)	(21.2)	(46.5)
Decrease (increase) in trade and other receivables (including the operator of the joint ventures)	13.7	3.3	(4.6)
Decrease (increase) in other long-term assets	(2.2)	(3.9)	1.1
Increase (decrease) in trade and other payables (including the operator of the joint ventures)	13.6	20.8	(5.2)
Decrease in liability for oil and gas profit levy	(18.1)	(4.7)	(5.8)
	46.5	**50.9**	**35.0**
Net cash deriving from operating activities	**167.2**	**135.0**	**504.7**
Cash flows - investment activity:			
Investment in oil and gas assets	(24.0)	(13.4)	(98.5)
Proceeds from the sale of natural gas and oil assets	-	10.5	14.9
Investment in fixed assets	-	-	(0.4)
Investment in other long-term assets	(0.4)	(17.9)	(28.4)
Royalties received	6.4	-	-
Repayment of loans granted	-	-	12.5
Increase in short-term deposits and investments, net	(2.6)	(24.6)	(174.9)
Decrease (increase) in other receivables - operator of the joint ventures	(0.9)	0.8	1.4
Net cash used for investment activity	**(21.5)**	(44.6)	**(273.4)**
Cash flows - financing activity:			
Profit distributed	(50.3)	-	(100.3)
Tax and balancing payments distributed for the period up to and including 2021	-	(86.6)	(99.1)
Payments on account of the tax due by the participation unit holders for the period up to and including 2021	-	(170.2)	(170.2)
Returns received from income tax for previous years	-	15.1	15.1
Early redemption of bonds issued	(33.9)	-	(74.6)
Net cash used for financing activity	**(84.2)**	**(241.7)**	**(429.1)**
Increase (decrease) in cash and cash equivalents	61.5	(151.3)	(197.8)
Balance of cash and cash equivalents as of beginning of period	22.4	220.2	220.2
Balance of cash and cash equivalents as of end of period	83.9	68.9	22.4
Annex A – Non-cash flow financing and investment activity:			
Investments in oil and gas assets against liabilities	33.3	15.4	3.6
Net long-term investments in other assets against assets or liabilities	-	-	5.3
Declared profits for distribution	60.0	-	50.0
Annex B – Additional information on cash flows:			
Interest paid	0.8	1.0	143.3
Interest received	4.2	1.2	7.3
Taxes and levy paid	18.1	-	81.6

The attached notes constitute an integral part of the condensed interim financial statements.

Note 1 – General:

A. NewMed Energy – Limited Partnership (the "**Partnership**") was founded according to a partnership agreement signed on July 1, 1993 between NewMed Energy Management Ltd. as general partner of the first part (the "**GP**"), and NewMed Energy Trusts Ltd. as a limited partner of the second part (the "**LP**"), as amended from time to time (the "**Partnership Agreement**").
The ongoing management of the Partnership is carried out by the GP under the supervision of the supervisors, Fahn Kanne & Co., Accountants, together with Keidar Supervision & Management (jointly: the "**Supervisors**" or the "**Supervisor**"). On July 1, 1993, the LP and the Supervisor signed a trust agreement, as amended from time to time (the "**Trust Agreement**"), which confers on the Supervisor powers of supervision over the Partnership's management by the GP, as well as powers of supervision over the fulfillment of the LP's obligations to the unit holders, see also Note 5J below.
The parent company of the GP is Delek Energy Systems Ltd. (the "**Parent Company**" and/or "**Delek Energy**"), a private company wholly owned by Delek Group Ltd. ("**Delek Group**").
The participation units of the Partnership are listed on the Tel Aviv Stock Exchange ("**TASE**") and trading therein commenced in 1993.
The address of the Partnership's registered office is 19 Abba Eban Boulevard, Herzliya.

B. As of the date of approval of the financial statements, the Partnership's operates in the energy field and its primary business is exploration, development, production and marketing of natural gas, condensate and oil in Israel and in Cyprus, and promotion of various natural gas-based projects, with the aim of increasing the volume of the sales of natural gas produced by the Partnership. At the same time, the Partnership is exploring business opportunities in the field of exploration, development, production and marketing of natural gas, condensate and oil in additional countries, and is examining and promoting possibilities for investments in projects in the field of renewable energy, within the collaboration with Enlight Renewable Energy Ltd. ("**Enlight**") (see Note 5F below), and is examining possible entry into the field of hydrogen, including blue hydrogen, which is produced from natural gas and can be a low-carbon substitute for energy consumers.

C. The Partnership's main petroleum asset, as of the date of approval of the financial statements, is holdings of 45.34% (out of 100%) of the Leviathan reservoir, the piping of gas from which commenced in December 2019. The Leviathan reservoir currently supplies natural gas to a number of customers in the domestic and regional market. In addition, the Partnership holds rights in the Aphrodite reservoir that was discovered in the area of Block 12 in Cyprus ("**Aphrodite**" or "**Block 12**"), and in other petroleum assets.

D. On March 27, 2023, the GP received a non-binding indicative offer (the "**Offer**") from Abu Dhabi National Oil Company (ADNOC) P.J.S.C. and BP Exploration Operating Company, two international energy companies (collectively: the "**Consortium**"), regarding a possible transaction in which the Consortium will purchase for cash all of the issued unit capital held by the public (~45%) and will purchase approx. 5% of the issued unit capital from Delek Group, such that after the closing of the transaction, the Consortium and Delek Group will each hold 50% of the equity and controlling interests in the Partnership, by way of approval of an arrangement under Section 350 of the Companies Law, 5759-1999 (the "**Companies Law**"). The Consortium's Offer, which, as aforesaid, is non-binding and subject to conditions, is payment of ILS 12.05 per unit purchased.

Note 1 – General (Cont.):

D. (Cont.):

This price reflects a premium of approx. 72% relative to the closing price of the units on TASE on March 26, 2023 (ILS 6.996) or a premium of approx. 76% and approx. 60% relative to the average closing price of the units on TASE in the 30 and 90 trading days preceding the date of the Offer, respectively. The Offer included conditions which the Consortium wishes to agree on with Delek Group regarding the joint control of the Partnership after the closing of the transaction, as well as additional conditions for the transaction, including the completion of due diligence, obtaining detailed agreements with Delek Group on all relevant issues and obtaining all of the other required approvals and consents. It is clarified that the Consortium may withdraw and cancel the Offer at any time and for any reason.

On March 27, 2023, the GP's board held a discussion regarding the Consortium's Offer, and in view of Delek Group's personal interest in the transaction and the material nature of the transaction, decided to appoint the audit committee, comprised solely of 3 external directors (the "**Committee**"), to explore and resolve any issue pertaining to the purchase of the publicly held units in the offered transaction, and to take any and all actions required for the exercise of the Committee's powers, at the Committee's discretion, including engaging with outside and independent professional consultants for receipt of legal and economic advice on the price proposed for the units; determining the terms and conditions of such consultants' compensation at the Partnership's expense; conducting independent negotiations with the Consortium and with Delek Group, which shall be held, insofar as possible, at arm's length, all in accordance with the best interests of the Partnership and the unitholders; drafting the Transaction documents as the Committee shall deem fit, and determining the terms and conditions thereof, if and insofar as the Committee shall deem fit; and formulating the Committee's recommendation to the board with respect to the transaction.

In addition, the Committee was authorized to decide also not to perform the transaction or to make its approval conditional or to request, obtain and explore alternative offers, all as it shall deem fit.

There is no assurance that the transaction or the terms and conditions that the Consortium is seeking to agree with Delek Group in relation to the joint management of the Partnership after the closing of the transaction will be acceptable to and agreed by Delek Group, or whether the parties will be able to reach an agreement.

If the required agreements are reached with Delek Group and the Committee's recommendation is received to approve the transaction, then approval of the transaction by way of an arrangement under Section 350 of the Companies Law, and the closing of the transaction and performance thereof, will be subject to the approval of the court, which will supervise the arrangement, approval of the arrangement by the meeting of the unitholders by a majority of 75% of all of the unitholders (including Delek Group and affiliates thereof), and approval by an ordinary majority of the public unitholders (without Delek Group and affiliates thereof), and receipt of the other regulatory approvals, and consents from third parties, as required for the closing of a transaction of this type. It is emphasized that, as of the date of approval of the financial statements, there is no certainty that it will be possible to obtain all of the said approvals and consents, and consequently the chances of the closing of the transaction are uncertain. As of the date of approval of the financial statements, the Committee is holding regular meetings for the purpose of promoting the transaction, and in this context has chosen legal, economic and financial advisors. Furthermore, the Buyers are continuing to perform the due diligence.

Note 1 – General (Cont.):

E. The Partnership's Condensed Interim Financial Statements should be read together with the financial statements as of December 31, 2022 (the "**Annual Financial Statements**"). Accordingly, notes regarding insignificant updates with respect to information already reported in the notes to the Annual Financial Statements were not included in these financial statements.

F. The Condensed Interim Financial Statements comply with the provisions of IAS 34.

G. The Condensed Interim Financial Statements fulfill the disclosure provisions pursuant to Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

H. The Partnership's income in the report period from the sale of natural gas from the Leviathan project is affected mainly by the demand for natural gas in the domestic market and in the regional market (Egypt and Jordan) and by the production and transmission capacity. Below is the Partnership's share in the income and quantities of natural gas sold to the domestic market and regional market in the report period (in millions of dollars).

	For the three-month period ended		For the year ended
	31.3.2023	31.3.2022	31.12.2022
	Unaudited		Audited
Revenues:			
Domestic market	51.4	64.0	284.7
Regional market	229.7	182.8	859.2
	281.1	**246.8**	**1,143.9**
Quantities (BCM)			
Domestic market	0.30	0.40	1.71
Regional market	0.98	0.83	3.45
	1.28	**1.23**	**5.16**

Note 2 - Significant Accounting Policies:

The Condensed Interim Financial Statements were prepared according to the same accounting policy and calculation methods as used in the Annual Financial Statements.

Notes to the Condensed Interim Financial Statements as of March 31, 2023 (dollars in millions)

Note 3 – Investments in Oil and Gas Assets:

A. Composition:

	31.3.2023	31.3.2022	31.12.2022
	Unaudited		Audited
Oil and gas assets:			
Ratio Yam (Leviathan project)	2,434.1	2,416.9	2,419.6
Appraisal and exploration assets:			
Block 12 Cyprus	129.6	122.3	127.6
New Yahel	-	0.5	-
	129.6	122.8	127.6
Total	**2,563.7**	**2,539.7**	**2,547.2**

B. Developments in investments in oil and gas assets:

1. Further to Note 7C2(c) to the Annual Financial Statements, regarding the development and production of "Leviathan-8" well in the area of lease I/14 Leviathan South, as of the date of approval of the financial statements, completion operations at the well were completed according to the work plan, and its connection to the existing subsea production system of the Leviathan project is expected to take place during Q2/2023. The cost of the drilling as of the date of the financial statements amounted to approx. $180.7 million (100%, the Partnership's share being a total of approx. $82.0 million).
2. Further to Note 7C3 to the Annual Financial Statements, regarding the drilling of the A-3 appraisal/development well (Aphrodite 3) (the "**Well**") in the Aphrodite reservoir in the area of Block 12, in the EEZ of the Cypriot Republic ("**Aphrodite Reservoir**"), in May 2023 the partners in the Aphrodite Reservoir commenced the drilling of the well according to their commitment pursuant to the production sharing contract.

Note 4 – Contingent Liabilities:

A. Further to Note 12L1 to the Annual Financial Statements, regarding a claim filed by the Partnership and Chevron Mediterranean Limited ("**Chevron**", and in this section, collectively: the "**Plaintiffs**") with the Jerusalem District Court against the State of Israel (the "**Defendant**"), which mainly includes a demand for restitution of royalties which were overpaid by the Plaintiffs to the Defendant, under protest, in respect of income which the Plaintiffs derived from gas supply agreements which were signed between natural gas consumers and the Yam Tethys partners and regarding the appeal filed by the Plaintiffs from the judgment received under such claim, it is noted that a hearing of the appeal was scheduled for December 27, 2023.

B. Further to Note 12L3 to the Annual Financial Statements, regarding a motion for class certification in connection with the merger transaction between the Partnership and Avner Oil Exploration - Limited Partnership ("**Avner**"), that was filed by the holders of participation units in Avner (the "**Certification Motion**"), on May 7, 2023, the court's judgment was received, dismissing the Certification Motion.

Note 4 – Contingent Liabilities (Cont.):

C. Further to Note 12L4 to the Annual Financial Statements, regarding a motion for class certification that was filed with the Tel Aviv District Court (Economic Department) by a shareholder of Tamar Petroleum Ltd. ("**Tamar Petroleum**") and the Public Representatives Association (collectively, the "**Petitioners**"), against the Partnership, Tamar Petroleum, officers therein and Leader Issues (1993) Ltd. (in this section, collectively: the "**Respondents**"), in connection with the issue of the shares of Tamar Petroleum in July 2017, note that on April 23, 2023 the Respondents filed a motion for discovery order and on May 3, 2023 the court granted the Respondents' motion to extend the filing of responses to such motion, until June 7, 2023.

D. Further to Note 12L8 to the Annual Financial Statements, regarding a motion for class certification which was filed by a holder of participation units (the "**Petitioner**") with the Tel Aviv District Court (Economic Department) against the Partnership, the GP, Delek Group, Yitzhak Sharon (Tshuva), the directors of the GP, including the former chairman of the board, and the CEO of the GP (in this section, collectively: the "**Respondents**"), claiming that the Respondents refrained from disclosing, in the Partnership's reports, the existence of a stipulation in the agreements for the sale of natural gas from the Leviathan and Tamar reservoirs to Blue Ocean Energy, note that the Petitioner and the Respondents are required to file summations and responding summations during 2023, all by November 12, 2023.

E. Further to Note 12L11 to the Annual Financial Statements, regarding a claim filed by Haifa Port Company Ltd. ("**Haifa Port**") against Chevron, Coral Maritime Services Ltd. and Gold-Line Shipping Ltd., and regarding a counterclaim filed by Chevron against Haifa Port, note that the parties are required to respond by June 1, 2023 to the mutual motions regarding the preliminary proceedings, which will be heard during the pretrial scheduled for June 11, 2023. Furthermore, on April 3, 2023, Haifa Port filed a motion for summary dismissal of the counterclaim on grounds of lack of privity with Chevron, since the invoices and the mooring fees were paid by an agent. Chevron is required to respond to such motion by May 15, 2023.

F. Further to Note 12L6 to the Annual Financial Statements, regarding a claim filed by the Supervisor on behalf of the holders of the Participation Units with the Tel Aviv District Court (Economic Department) against the Partnership, the GP and the royalty interest owners which include Delek Group, Delek Energy Systems Ltd. and Tomer Energy Royalties (2012) Ltd. (formerly Delek Royalties (2012) Ltd.) and a counterclaim filed by the royalty interest owners, all in connection with the investment recovery date in the Tamar project, the pretrial session was scheduled for May 22, 2023.

Note 5 – Additional Information:

A. Further to Note 8B to the Annual Financial Statements regarding an agreement for sale of interests in the I/17 Karish and I/16 Tanin leases (jointly: the "**Leases**"), the Partnership has engaged an external independent appraiser to assess the fair value of the royalties and the remaining annual payments on the loan given to Energean. Below are main parameters out of the valuations that were used to measure the royalties and the loan: the receivables cap rate is estimated at 8.69%; the cap rate for the royalties component is estimated at 11%; the sum total of the contingent resources of natural gas and hydrocarbon liquids (condensate and natural gas liquid) that were used for the valuation to measure the royalties were estimated at approx. 99.6 BCM and approx. 95.6 MMBBL, respectively; Average annual production rate from the Karish lease: approx. 3.64 BCM natural gas; average annual rate of condensate production from the Karish lease of approx. 4.52 million barrels of condensate; average annual production rate from the Tanin lease: approx. 2.17 BCM natural gas; average annual rate of condensate production from the Tanin lease of approx. 0.37 million barrels of condensate.

The financial income, net, recorded in the report period includes a sum of approx. $10.5 million deriving from a revaluation of the royalties from the Leases of approx. $11.4 million and financial expenses from an update of receivables in connection with the loan to Energean in the sum of approx. $0.9 million.

Furthermore, with respect to the claim filed by the Partnership against Energean in connection with the payment of the balance of the consideration according to the agreement for the sale of the interests in the Karish and Tanin leases, on April 19, 2023, a pretrial hearing was held in the claim, and according to the decision issued in the context thereof, on May 10, 2023, the parties filed a joint notice with the court regarding their consent to refer to mediation, without thereby delaying the hearing of the claim.

B. Further to Note 10D to the Annual Financial Statement, in connection with the signing of credit facilities from banking corporations, on February 5, 2023, the Partnership signed documents with an Israeli bank for the provision of two new bank credit facilities, intended to serve the Partnership in its ongoing operation. According to the terms and conditions of the credit facilities, the Partnership may draw down, from time to time, U.S. dollar loans up to a total sum of $150 million under both credit facilities, credit facility A of $100 million ("**Credit Facility A**") and credit facility B of $50 million ("**Credit Facility B**", and jointly with Credit Facility A, the "**Credit Facilities**") during an availability period commencing on February 6, 2023 and ending on February 6, 2024.

For the non-utilized part of each one of the Credit Facilities, the Partnership will pay a quarterly non-drawdown fee at an annual rate of 0.65%, until it is drawn down by the Partnership or until the end of the availability period, whichever is earlier.

Each loan drawn down from Credit Facility A will bear SOFR interest plus a margin of 2.7% per annum. The principal of the loan, if drawn down, shall be payable until May 30, 2025.

Each loan drawn down from Credit Facility B will bear SOFR interest plus a margin of 3% per annum. The principal of the loan, if drawn down, shall be payable in 4 equal quarterly payments beginning on the end of Q1/2024 and until the end of 2024. Further, for Credit Facility B, the Partnership paid on February 15, 2023, a one-time commitment fee at a rate of 0.75% of Credit Facility B. A condition precedent for applying for a drawdown from Credit Facility B is that the ratio between the value of the Partnership's rights to receive royalties from Karish Tanin on the basis of an independent external valuation plus the balance of the principal of the seller's loan to Energean (as aforesaid in Section A) and all of the loans drawn down from Credit Facilities A and B, including the drawdown application, shall not be lower than 200%.

As of the date of approval of the financial statements, the Partnership has not yet drawn down the credit Facilities, in whole or in part.

Note 5 – Additional Information (Cont.):

C. On May 22, 2022, the board of directors of the GP approved a plan to purchase the bonds of Leviathan Bond, in an aggregate amount of up to $100 million for a period of two years. The Partnership made buybacks pursuant to said buyback plan in the sum of approx. $100 million. Further thereto, on January 22, 2023, the board of directors of the Partnership's GP, authorized to adopt an additional plan to purchase the bonds of Leviathan Bond, in an aggregate amount of up to $100 million, by way of an off-exchange, TACT-Institutional or any other purchase method (the "**Additional Buyback Plan**"). The Additional Buyback Plan took effect on January 23, 2023 and shall end after two years, i.e., on January 23, 2025. As of the date of approval of the financial statements, the Partnership made buybacks pursuant to the Additional Buyback Plan in the sum of approx. $9 million.

D. Further to Note 20C6 to the Annual Financial Statements regarding disputes with respect to the levy reports of the Tamar venture, on January 25, 2023, a levy assessment order for 2020 was received, and on February 8, 2023, the Partnership paid 75% of the ordered levy liability in the sum of approx. ILS 62.7 million (the amount includes interest and linkage) (approx. $18 million), which were included under the 'other long-term assets' item.

E. Further to Note 20B9 to the Annual Financial Statements in connection with the tax report for 2021, on April 30, 2023, the Partnership published a temporary tax certificate for an entitled holder and seller of participation units for the holding of participation units of the Partnership for 2021.

F. **Engagement for collaboration in renewable energies:**

On September 21, 2022, the general meeting of the Unit holders gave approval to the Partnership to make investments in renewable energy projects, up to the aggregate investment amount (the Partnership's share only) of US $100 million (by capital and/or by shareholder's loan including a capital note or by way of guarantee in respect of loans to be provided), as required by TASE Rules, and in such context, approved the outline of the transaction with Enlight, while noting, *inter alia*, Mr. Abu's personal interest in the transaction.

Accordingly, on March 13, 2023 the Partnership engaged with Enlight in a detailed agreement regarding exclusive collaboration for a fixed term regarding the initiation, development, financing, construction and operation of renewable energy projects, including in the following fields: solar projects, wind projects, energy storage, and other segments of renewable energy, insofar as relevant in several target countries, including Egypt, Jordan, Morocco, the UAE, Bahrain, Oman and Saudi Arabia (in this section: the "**Agreement**" and the "**Transaction**", respectively). As specified below, under the Transaction, Enlight will allocate a certain part of its interests in the Transaction to Mr. Yossi Abu, CEO of the Partnership ("**Mr. Abu**"). Accordingly, on March 13, 2023, an agreement was signed between Mr. Abu and Enlight (the "**Abu Agreement**").

Below is a concise description of the main parts of the Agreement:

The parties will act together, on an exclusive basis for a fixed term, for the initiation, development, financing, construction and operation of renewable energy projects in the aforementioned target countries (in this section: the "**Joint Venture**"). For the purpose of the Joint Venture, the parties will form corporations that will engage in the promotion of the joint operations (the "**Co-Owned Corporations**"). The rate of the Partnership's holdings in the Co-Owned Corporations will be 33.33%, with the remaining interests in the Co-Owned Corporations (66.67%) held by a corporation that will be held by Enlight (70%) and Mr. Abu (30%) (the "**Enlight Corporation**"). According to the Abu Agreement, Mr. Abu's share in the investments required in the Enlight Corporation will be provided for his benefit by Enlight by way of providing a non-recourse loan.

Note 5 – Additional Information (Cont.):

F. (Cont.)

As part of the Joint Venture, the Partnership will utilize its business connections in the aforementioned target countries to promote the Joint Venture, with Mr. Abu's active personal involvement. The Enlight Corporation, via Enlight, will provide the joint operations with professional design, development and management services in the interest of promoting the Joint Venture.

Control during the projects' construction and operation stages will be held by Enlight. The agreement stipulates provisions with respect to the parties' rights to appoint board members of the Co-Owned Corporations based on their holding rates, and it also stipulates that Mr. Abu will serve as chairman of the board of the Co-Owned Corporations in the first 24 months.

In the context of the Joint Venture, one of the Co-Owned Corporations will perform feasibility studies and due diligence for any project it deems suitable for the collaboration and thereafter, each party will notify the other party whether it wishes to participate and promote the proposed project in the context of the Joint Venture. If the Partnership does not approve its participation in a specific project or objects to its promotion, the Enlight Corporation will be entitled to perform the project independently without the Partnership, in which case the Partnership will be entitled to reimbursement of its expenses in the aforesaid project together with interest.

In the Agreement it has been agreed that resolutions of the Co-Owned Corporations will be adopted by a majority vote, subject to the requirement of the Partnership's consent in certain resolutions so long as the Partnership holds 15% or more of the capital of the Co-Owned Corporations. Provisions have also been specified with respect to the manner of financing of the operations of the Joint Venture and the investments in projects to be made thereunder, based on the relative share of each of the parties.

The term of the parties' exclusive collaboration will be 3 years from the Agreement signing date, which, under certain circumstances, may be extended up to a term of 5 years from the Agreement signing date (the "**Term of Exclusivity**"). Following the expiration of the Term of Exclusivity, the collaboration will continue with respect to projects that shall have commenced prior to the expiration date, and Enlight may promote projects that are in advanced development stages without the Partnership's participation.

The Agreement specifies additional provisions on other matters, as is standard in transactions of this type, *inter alia*, with respect to resolutions that require the consent of the Partnership, so long as the Partnership holds 15% or more of the capital of the Co-Owned Corporations, provisions regarding the restrictions that will apply to the transfer of interests in the Co-Owned Corporations to third parties, early termination of the Term of Exclusivity, provisions regarding the joining of third parties to the projects and provisions regarding the Co-Owned Corporations' profit distribution policy. As of the date of approval of the financial statements, the parties are acting to find opportunities to make investments in renewable energy projects in the context of the collaboration.

G. On March 27, 2023, the board of the GP approved, after adopting the recommendation of the Financial Statements Review Committee of the GP of the Partnership, the distribution of profit in the sum of $60 million ($0.05112 per participation unit of the Partnership), with the record date for distribution being April 9, 2022. Such distribution of profit was performed on April 20, 2023.

On May 10, 2023, the board of directors of the GP, after receiving the recommendation of the Financial Statements Review Committee of the GP of the Partnership, approved a distribution of profit in the total sum of $50 million ($0.04260 per participation unit of the Partnership), with the record date for the distribution being May 22, 2023. Such distribution of profit will be carried out on June 15, 2023.

Note 5 – Additional Information (Cont.):

H. Further to Note 10B to the Annual Financial Statements, in connection with the Levithan Bond bonds, on April 10, 2023, the subsidiary, Leviathan Bond Ltd., informed the holders of the bonds issued thereby to foreign and Israeli accredited investors, which are listed on the TACT-Institutional system of TASE, of the partial prepayment of the first series of the bonds, whose original maturity date was June 30, 2023, according to the provisions of the indenture for the bonds (the "**Prepayment Notice**"). According to the Prepayment Notice, the first series was partially paid on May 1, 2023 in the sum of $280 million (the "**Principal Amount**") out of a total series amount of $500 million, in lieu of the original maturity date, as aforesaid. The partial prepayment amount includes the Principal Amount plus accrued interest in the sum of approx. $4.5 million. According to the terms of the bonds, the payment of the first series during the quarter preceding the original maturity date is not subject to prepayment fees to the bondholders.

I. Further to Note 20B2 to the Annual Financial Statements, regarding the disputes that have arisen between the Partnership and the Tax Authority with respect to the amount of the partnerships' taxable income for 2016, note that an additional pretrial hearing was scheduled for July 17, 2023.

J. On April 24, 2023, the Partnership released a notice of general and special meeting of the holders of the Partnership's participation units as of May 29, 2023, proposing, *inter alia*, to reappoint Fahn Kanne & Co., Accountants, together with Keidar Supervision & Management as a supervisor for the Partnership, and to approve their fees.

K. On May 2, 2023, the Ministry of Energy published for public comment – by May 28, 2023 – a draft policy document on decommissioning of offshore oil and natural gas exploration and production infrastructures (the "**Draft Policy Document**"). The purpose of the Draft Policy Document is to offer an outline for the general principles with regard to decommissioning of offshore oil and natural gas exploration and production infrastructures, without derogating from the provisions of the law applicable in this regard and the provisions of the lease deeds and operation permits. The Draft Policy Document offers, among other things, rules, standards and time frames for the decommissioning of drilling and production facilities as well as the abandonment of subsea infrastructures and pipelines that are no longer in use, according to, *inter alia*, the location of said facilities in the deep sea or on the bottom of or below the seabed.

According to a preliminary assessment by the Partnership, approval of the strict requirements in the Draft Policy Document is expected to increase the decommissioning costs for the Partnership's assets. As of the date of approval of the financial statements, the Partnership is still examining the provisions of the Draft Policy Document and its implications on the increase of the decommissioning costs as aforesaid, if applied, and will consider its actions on the matter accordingly.

Notes to the Condensed Interim Financial Statements as of March 31, 2023 (dollars in millions)

Note 6 – Financial Instruments:

Fair value of financial instruments:

A. The fair value of the financial instruments presented in the financial statements matches or is close to their book value, with the exception of the bonds issued as stated in Note 10 to the Annual Financial Statements as of December 31, 2022:

	As of March 31, 2023	
	Fair value	Book value
Bonds:	Unaudited	
Leviathan Bond	2,103.5	2,158.6
Total	**2,103.5**	**2,158.6**

	As of March 31, 2022	
	Fair value	Book value
Bonds:	Unaudited	
Leviathan Bond	2,316.5	2,261.2
Total	**2,316.5**	**2,261.2**

	As of December 31, 2022	
	Fair value	Book value
Bonds:	Audited	
Leviathan Bond	2,115.7	2,155.8
Total	**2,115.7**	**2,155.8**

B. Below are figures on the fair value hierarchy of the financial instruments that are measured in fair value that were recognized in the condensed interim statements of financial position:

	31.3.2023			
	Level 1	Level 2	Level 3	Total
	Unaudited			
Financial assets at fair value through profit or loss:				
- Royalties receivable from the Karish and Tanin leases (see Note 8B to the Annual Financial Statements)	-	-	324.9	**324.9**
- Loan to Energean from the sale of the Karish and Tanin leases (see Note 8B to the Annual Financial Statements)	-	52.7	-	**52.7**
Total Financial assets at fair value through profit or loss	**-**	**52.7**	**324.9**	**377.6**

Notes to the Condensed Interim Financial Statements as of March 31, 2023 (dollars in millions)

Note 6 – Financial Instruments (Cont.):

B. (Cont.)

	31.3.2022			
	Level 1	Level 2	Level 3	Total
	Unaudited			
Financial assets at fair value through profit or loss:				
- ETFs	19.5	-	-	**19.5**
- Royalties receivable from the Karish and Tanin leases (see Note 8B to the Annual Financial Statements)	-	-	279.8	**279.8**
- Loan to Energean from the sale of the Karish and Tanin leases (see Note 8B to the Annual Financial Statements)	-	64.8	-	**64.8**
Total Financial assets at fair value through profit or loss	**19.5**	**64.8**	**279.8**	**364.1**

	31.12.2022			
	Level 1	Level 2	Level 3	Total
	Audited			
Financial assets at fair value through profit or loss:				
- Royalties receivable from the Karish and Tanin leases (see Note 8B to the Annual Financial Statements)	-	-	320.8	**320.8**
- Loan to Energean from the sale of the Karish and Tanin leases (see Note 8B to the Annual Financial Statements)	-	53.6	-	**53.6**
Total Financial assets at fair value through profit or loss	**-**	**53.6**	**320.8**	**374.4**

Notes to the Condensed Interim Financial Statements as of March 31, 2023 (dollars in millions)

Note 6 – Financial Instruments (Cont.):

B. (Cont.)

Adjustment due to fair value measurements classified at level 3 in the fair value scale of financial instruments:

	For the three-month period ended March 31, 2023	
	Future production-based royalties	Total
	Unaudited	
Balance as of December 31, 2022 (audited)	**320.8**	**320.8**
Revenues	(6.4)	(6.4)
Remeasurement recognized in profit or loss	10.5	10.5
Balance as of March 31, 2023	**324.9**	**324.9**

	For the three-month period ended March 31, 2022	
	Future production-based royalties	Total
	Unaudited	
Balance as of December 31, 2021 (audited)	**262.2**	**262.2**
Remeasurement recognized in profit or loss	17.6	17.6
Balance as of March 31, 2022	**279.8**	**279.8**

Notes to the Condensed Interim Financial Statements as of March 31, 2023 (dollars in millions)

Note 6 – Financial Instruments (Cont.):

B. (Cont.)

	For the year ended December 31, 2022	
	Future production-based royalties	Total
	Audited	
Balance as of December 31, 2021	**262.2**	**262.2**
Revenues	(2.3)	(2.3)
Remeasurement recognized in profit or loss	60.9	60.9
Balance as of December 31, 2022	**320.8**	**320.8**

Note 7 – Subsequent Events

1. See Note 4B regarding the court's judgment dismissing the certification motion in connection with the merger transaction between the Partnership and Avner.
2. See Note 5E for details regarding the publication of a temporary tax certificate for an entitled holder and seller of a participation units for the holding of the participation units of the Partnership for 2021.
3. See Note 5G for details regarding the approval of the board of the GP of the Partnership on distribution of profit in the sum of approx. $50 million.
4. See Note 5H for details regarding the partial prepayment of Levithan Bond bonds in the sum of approx. $280 million.
5. See Note 5J for details regarding the notice of general and special meeting of the holders of the Partnership's participation units.
6. See Note 5K for details regarding the publication for public comment by the Ministry of Energy of a policy document on decommissioning of offshore oil and natural gas exploration and production infrastructures.

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Valuation

GIZA SINGER EVEN

NewMed Energy - Limited Partnership

Valuation of Royalties From the Sale of the I/16 “Tanin” and I/17 “Karish” Leases

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May 2023

This document is a translation of the original Hebrew-language document of Giza Singer Even Ltd. of March 2023. It is prepared solely for convenience purposes. Please note that the Hebrew version is the binding version, and in any event of discrepancy – the Hebrew version shall prevail.

GIZA SINGER EVEN

Table of Contents

1. Introduction and Disclaimer

1.1 General

This paper (the "**Paper**" and/or the "**Opinion**") was prepared by Giza Singer Even Financial Advisory Ltd. ("**GSE**") for the purpose of valuation of the royalties to which the limited partnership NewMed Energy[1,2] ("**NewMed Energy**" and/or the "**Partnership**") is entitled for the sale of its interests in the I/16 "Tanin" (the "**Tanin Royalties**") and I/17 "Karish" (the "**Karish Royalties**") leases (collectively: the "**Royalties**") as of March 31, 2023 (the "**Valuation Date**"). We are aware that the Paper is intended to be used by NewMed Energy, *inter alia*¸ for quarterly and periodic financial statements, and therefore we agree that the Paper will be referred to and/or included in any report released by the Partnership and the interested parties therein, according to the Securities Law, 5728-1968 and the regulations thereunder.

For the preparation of the Paper we relied, *inter alia*, on representations, forecasts and explanations (the "**Information**") which we received from the Partnership and/or anyone on its behalf. GSE assumes that this Information is reliable and it does not carry out an independent examination of the Information, nor have we become aware of anything which could indicate it being unreasonable. The Information was not examined independently, and therefore the Paper furnished to you does not constitute verification to the correctness, integrity and accuracy of this Information. An economic valuation is supposed to reflect in a reasonable and fair manner a given situation at a certain time, based on known data and while referring to basic assumptions and forecasts which were evaluated.

This Opinion includes a description of the methodology and the main assumptions and analyses which were used for the determination of the fair value of the Royalties to which the Partnership is entitled. However, the description does not purport to be a full and detailed description of all of the procedures which we implemented upon the formulation of the Opinion.

This Paper does not constitute a due diligence inspection and does not replace it. Furthermore, the Paper is also not intended to determine the value of the Royalties for the specific investor and it does not constitute legal advice or opinion.

[1] On May 17, 2017, NewMed Energy merged with the partnership Avner Oil Exploration – Limited Partnership ("**Avner**") and as a result, Avner partnership was stricken off with no dissolution.

[2] On February 22, 2022, the Partnership changed its name from "Delek Drilling – Limited Partnership" to "NewMed Energy – Limited Partnership".

The Paper does not include accounting auditing regarding the compliance with the accounting principles. Giza Singer Even Financial Advisory is not responsible for the manner of accounting presentation of the financial statements of the Partnership regarding the accuracy and integrity of the data and the implications of such accounting presentation, if any.

Should the Information and data on which GSE relied, be incomplete, inaccurate or unreliable, the results of this Paper may change. We reserve the right for ourselves, to re-update the Paper in view of new data which were not presented to us. For the avoidance of doubt, this Paper is valid as of the date of signing hereof only.

It is emphasized that the Information specified in this Paper, including with respect to forecasts and the primary commercial terms in the agreement for the sale of the reservoirs, its total financial scope, the rights transferred thereunder, and the Royalties agreed therein, constitute forward-looking information in the meaning thereof in the Securities Law, 5728-1968, of which there is no certainty that it will materialize, in whole or in part, in the said manner or otherwise. The actual performance of the said Information may differ materially due to various factors such as delays in the timetables for the development of the reservoirs, etc.

We hereby confirm that we have no personal interest and/or dependence on the Partnership and/or on the general partner in the Partnership, apart from the fact that we are receiving a fee for this Paper. Furthermore, we confirm that our fee is not dependent on the results of the Paper.

In accordance with the engagement agreement, if we are charged with payment of any amount to a third party in connection with performance of the services specified in the engagement agreement in a legal proceeding or in another binding proceeding, the Partnership undertakes to indemnify us for any such amount that shall be paid by us over and above an amount equal to three times our fees. The indemnity undertaking shall not apply if it is ruled that we acted in performance of the work maliciously or with gross negligence.

Neither GSE nor any company controlled thereby directly and/or indirectly as well as any controlling shareholder, officer and employee therein, are responsible for any damage, loss or expense whatsoever, including direct and/or indirect, which will be incurred by anyone relying on the contents of this Paper in whole or in part.

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1.2 Sources of information

The main sources of information used in the preparation of the Opinion are specified below:

- Information regarding the terms of the transaction for the sale of the Partnership's interests in the I/16 Tanin and I/17 Karish leases.
- Reports and publications released by Energean Oil & Gas plc (the parent company of Energean Israel Limited), including a resources and reserves report as of December 31, 2022 prepared by DeGolyer and MacNaughton ("**D&M CPR**").
- Immediate reports of publicly traded companies and public information released on websites (including Energean's website), journalistic articles or other public sources.
- Internal sources and databases of GSE.
- Meetings and/or phone calls with office holders at the Partnership.

1.3 Details of the valuating company

Giza Singer Even Financial Advisory Ltd. is a subsidiary of Giza Singer Even Ltd., which is a leading financial advisory and investment banking firm in Israel. The firm has extensive experience in the advising of the large companies, the prominent privatizations and the important transactions in the Israeli market, which it accrued over its thirty years of operation. Giza Singer Even operates in three fields, through independent business divisions: financial advisory; investment banking; analytical research and corporate governance.

The Paper was prepared by a team headed by Gadi Beeri, Head of the Economic Department and Corporate Finance and a senior partner at Giza Singer Even. Gadi Beeri has expertise and vast experience in corporate finance and financial and financing advice. He holds a BA in Economics and an MBA from the Tel Aviv University.

Sincerely,

Giza Singer Even Financial Advisory Ltd.
May 10, 2023

2. Executive Summary

2.1 Background

NewMed Energy – Limited Partnership (formerly: "Delek Drilling – Limited Partnership") is a public limited partnership (in the meaning thereof in the Partnerships Ordinance) listed on the Tel Aviv Stock Exchange (TASE). The Partnership engages in the exploration, development and production of petroleum, natural gas and condensate.

During the years 2012 and 2013 the Partnership reported to TASE that the Tanin and Karish gas reservoirs constitute natural gas discoveries.

Following the decision of the Israeli government on a framework for the increasing of the amount of natural gas produced from the Tamar natural gas field and the quick development of the Leviathan, Karish and Tanin natural gas fields and other natural gas fields (the "**Gas Framework**"), NewMed Energy and Avner (jointly, the "**Partnerships**") (which jointly held (in equal shares between them) 52.941% of the reservoirs) and Chevron Energy Mediterranean ("**Chevron**") (which held 47.059% of the reservoirs) were required, *inter alia*, to sell their holdings in the Karish and Tanin reservoirs within 14 months of the signing date of the exemption resolutions related to the Gas Framework (December 17, 2015) in order to comply with the conditions which would entitle them to an exemption from several provisions of the Restrictive Trade Practices Law, 5748-1988 (the "**Restrictive Trade Practices Law**").

On August 16, 2016, an agreement was executed for the sale of all of the interests in Karish and Tanin between the Partnerships and Energean, within which the Partnerships are entitled to consideration in the amount of $148.5 million, comprising cash payment of $40 million (paid on the date of the transaction closing) and $108.5 million which will be paid spread into 10 annual equal payments plus interest, with this amount depending on the Buyer's decision to develop the reservoir, or on the date on which the Buyer's total expenses in respect of the development of the leases will exceed $150 million, whichever is earlier (the "**Debt Component**"). Furthermore, the Partnerships will be entitled to royalties from the revenues generated for the Buyer from the sale of natural gas and condensate produced from the leases, at the rates of 7.5% (before the payment of petroleum profit levy) and 8.25% (after payment of petroleum profit levy), net of the rate of the existing royalties,[3] by which the Partnerships are charged regarding the original share of NewMed Energy and Avner in the leases (the "**Royalties**'). The first payment to NewMed Energy for the Debt Component had been made by Energean on March 29, 2018 and was since regularly paid every year in March, up to and including the fourth payment that was received in March 2021.

[3] As defined in the reports of NewMed Energy and Avner to the TASE on December 25, 2016.

In March 2022, Energean failed to transfer the fifth payment to the Partnership. In May 2021, Energean informed the Partnership that, per its position, it was operating under "force majeure" circumstances due to the Covid crisis. Subsequently thereto, in September 2022, Energean made late payment of the fifth installment and part of the interest payment for the Debt Component to the Partnership. A legal proceeding is currently being conducted between the parties for the balance of the loan, including the interest thereon, the outcome of which we are unable to assess. Therefore, and for the sake of caution, it was assumed in this valuation, as of the date hereof, that the balance of the interest not yet transferred to the Partnership will not be paid at all.

Following are the quantities of natural gas and hydrocarbon liquids (condensate and natural gas liquids) at the Karish and Tanin reservoirs (100%) as released in D&M CPR's report of March 23, 2023 by Energean Oil & Gas plc[4], the parent company of Energean Israel Limited[5]:

Reservoir	Reserves and Resources	
	Natural Gas (BCM)	Hydrocarbon Liquids (MMBBL)
	2P	**2P**
Karish	39.4	54.2
Karish North	34.2	36.9
Tanin	26.1	4.5
Total	**99.6**	**95.6**

In Q1/2023, Energean transferred payments to the Partnership for the overriding royalties to which the Partnership is entitled under the agreement described above. It is noted that in the context of the reports received from Energean, it does not provide the Partnership with details regarding the production quantities. In the Partnership's estimation, based on such payments, Energean produced approx. 0.76 BCM of natural gas and approx. 0.63 million barrels of hydrocarbon liquids from the Karish reservoir during this period. With no other source of information to assess the total production in Q1/2023, we reduced the remaining reserves and resources in the Karish reservoir, as specified above, in accordance with the Partnership's evaluation.

[4] https://www.energean.com/media/5400/dm-final-report-energean-israel-2022ye.pdf.

[5] Formerly Ocean Energean Oil and Gas Ltd.

2.2 Result of the valuation

The value of the Royalties in the transaction of sale of the Karish and Tanin leases was estimated through the Discounted Cash Flow method, while adjusting the discounting rates to the risks embodied in the development of the reservoirs and the cash flow (including the impact of the Covid crisis). According to the assumptions specified in the Paper itself, the total value of the Royalties as of March 31, 2023 is estimated at approx. $324.9 million (the value of the Karish Royalties (including Karish North) and the Tanin Royalties are estimated at approx. $281.7 million and approx. $43.2 million, respectively).

Below is the sensitivity analysis for the value of the Royalties in relation to changes in the cap rate and the changes in the natural gas prices (U.S. $ in millions):

		Change in the Natural Gas Price Vector (U.S. $ per MMBTU)						
		-1.50	-1.00	-0.50	-	0.50	1.00	1.50
Change in Cap Rates (in Base Points)	+250 bp	257.1	280.3	272.2	296.1	312.5	328.5	342.0
	+150 bp	266.5	290.3	282.2	306.9	323.7	340.3	354.1
	+50 bp	276.7	301.3	293.1	318.7	335.9	353.1	367.2
	-	282.2	307.1	298.9	**324.9**	342.4	359.9	374.2
	-50 bp	287.8	313.1	304.9	331.5	349.2	367.0	381.5
	-150 bp	300.0	326.0	317.9	345.5	363.7	382.2	397.2
	-250 bp	313.3	340.2	332.0	360.8	379.5	398.9	414.2

3. Description of Transaction for the Sale of the Interests in the Karish and Tanin Leases

3.1 Description of the Partnership

NewMed Energy is a limited partnership (within the meaning thereof in the Partnerships Ordinance) listed on the TASE. The Partnership engages in the exploration, development, production and sale of petroleum, natural gas and condensate. Following is a description of the overriding royalties' mechanisms due to offshore petroleum assets applicable to the Partnership as of the date hereof with respect to its original share in the Karish and Tanin leases (approx. 52.941%):

For 50% of the Revenues from the Karish and Tanin Leases	For 50% of the Revenues from the Karish and Tanin Leases
3% before the Investment Recovery Date[6] (0.794% of the total revenues of the reservoir)	6% (1.588% of the total revenues of the reservoir)
13% after the Investment Recovery Date (3.441% of the total revenues of the reservoir)	

3.2 The sold interests

On February 7, 2012, and on May 22, 2013, the Partnerships reported to TASE that significant quantities of natural gas were discovered in the Tanin-1 and Karish-1 wells in the area of the exploration licenses Alon A and Alon C, respectively. In December 2015, the Petroleum

[6] The term "**Investment Recovery Date**" means the date after the signing of the agreement for the transfer of rights between the Partnership and Delek Energy Systems and Delek Israel (now Delek Group) which was signed in 1993 (as amended from time to time) according to which the Net Proceeds Value which the Partnership received or is entitled to receive for oil and/or gas and/or other valuable materials which were produced and used from the Petroleum Asset (i.e. – license or lease) where the finding is located, calculated in Dollars shall reach an amount which is equal to the full Value of All of the Partnership's Expenses in such Petroleum Asset calculated in Dollars.
The term "**Net Proceeds Value**" means the value of all of the proceeds as shall be approved by the accountants of the Partnership for oil and/or gas and/or other valuables which were produced and used from the Petroleum Asset (i.e. – license or lease) (the "**Gross Proceeds Value**") net of any and all production expenses thereof and royalties paid in respect thereof.
The term the "**Value of All of the Partnership's Expenses**" means all of the expenses incurred by the Partnership in the Petroleum Asset (i.e. – license or lease) where the oil and/or the gas and/or the other valuables are produced but excluding expenses (up to the Net Proceeds Value) which were deducted from the Gross Proceeds Value for the determination of the amount of the all of the Net Proceeds Value and as they shall be approved by the Partnership's accountants.
For details and elaboration regarding agreements pertaining to the payment of royalties to the State, to interested parties and to third parties of the Partnership, see Section 7.24.7 of NewMed Energy's periodic report for 2021.

Commissioner at the Ministry of Energy award the holders of rights in the exploration licenses, NewMed Energy (26.4705%), Avner (26.4705%) and Chevron (47.059%), the lease deeds of “Tanin” and “Karish”, respectively. It is noted that in May 2017, NewMed Energy merged with Avner and consequently the Avner partnership was stricken off without dissolution.

On August 16, 2015, a government resolution was made regarding a framework for the regulation of the natural gas market in Israel including with respect to the interests of the Partnership in the natural gas reservoirs Tamar, Leviathan, Karish and Tanin. Under the Framework the gas and petroleum corporations operating in the gas market in Israel, including the Partnerships, were granted an exemption from several provisions of the Restrictive Trade Practices Law given compliance with several conditions, including the sale of Karish and Tanin leases within 14 months.

On November 14, 2015, the Partnerships announced that they purchased from Chevron the right to sell the share of Chevron in the Karish and Tanin leases, in equal parts, in consideration for a total amount of approx. $67 million. According to the agreement between the Partnerships and Chevron, the latter will not be entitled to any further consideration for the sale of the rights to a third party.

On December 17, 2015, the then Prime Minister Netanyahu (in his capacity as Minister of Economic Affairs) signed several exemptions from the Antitrust Law which were adopted in the context of the government resolution on the Gas Framework.

On August 16, 2016, an agreement was executed for the sale of all of the interests in the Karish and Tanin leases between NewMed Energy and Avner and Energean Israel Ltd. (formerly Ocean Energean Oil and Gas Ltd.), a company registered in Cyprus which is a subsidiary of Energean E&P Holdings Ltd..[7] The Buyer’s principal business is exploration, development and production of gas and petroleum reservoirs in Greece and other countries in the Balkan and Middle East area.

On December 27, 2016, the Partnerships announced that the closing conditions for the transaction were fulfilled. On March 27, 2018, Energean notified the Partnerships of the adoption of an investment decision for the development of the Karish reservoir. In addition, on January 14, 2021, Energean reported the adoption of a Final Investment Decision (FID) in the “Karish North” reservoir.

[7] Energean Israel Ltd. serves as the operational arm of Energean E&P Holdings Ltd. in Israel.

On October 25, 2022, the Ministry of Energy approved for Energean commencement of production of gas from the Karish reservoir, and the following day Energean reported on initial gas production from the reservoir.

In November 2022, Energean transferred to the Partnership the first payment due to overriding royalties from its revenues in the Karish reservoir.

3.3 The consideration

Following is a description of the consideration components in the purchase agreement:

a. The Buyer will purchase from NewMed Energy and Avner (the "**Sellers**") all of the interests of the Sellers and of Chevron in the Karish and Tanin leases (the "**Sold Interests**").

b. In consideration for the Sold Interests, the Buyer will pay the Sellers a total amount of $148.5 million which will be received in the following manner:

   i. Cash payment of $10 million which was paid to the Sellers on the transaction closing date;
   ii. An additional payment of $30 million which was paid to the Sellers on the transaction closing date;
   iii. The consideration balance, in an amount of $108.5 million, will be paid to the Sellers in ten annual equal installments plus interest according to the mechanism set in the agreement. These payments will be made immediately after the date on which a Final Investment Decision (FID) will be adopted regarding the development of the leases, or on the date which the total expenses of the Buyer in relation to the development of the leases will exceed $150 million, whichever is earlier[8];
   iv. The Buyer will transfer to the Sellers royalties for natural gas and condensate which will be produced from the leases at a rate of 7.5% before payment of a petroleum profits levy by virtue of the Natural Resources Taxation Law (the "**Levy**") and 8.25% after the commencement of payment of the Levy, net of the rate of the existing royalties[9] borne by the Sellers in respect of their original share in the leases. Such rates are in 'wellhead' terms, while the effective payment rate is expected to be adjusted to hydrocarbon sales at the point of entry to the Israeli transmission system.

[8] On March 27, 2018 Energean notified the Partnerships of the adoption of an investment decision for the development of the Karish reservoir, and in March 2018, March 2019, March 2020 and March 2021 it paid NewMed Energy the first four payments.

[9] As defined in the reports of NewMed Energy and Avner to TASE on December 25, 2016.

4. Description of the Business Environment

4.1 General

The natural resources exploration, development and production activity in Israel is subject to the provision of approvals under the Petroleum Law, 5712-1952 (the "**Petroleum Law**") which controls the regulation in the field and defines the type of approvals given to defined field blocks and subject to the approval of a work plan for the performance of exploration and production work.

The natural gas sector in Israel began developing upon the discoveries of the natural gas reservoirs Noa and Mari B in the years 1999 and 2000, respectively. These discoveries allowed companies in the market, headed by the Israel Electric Corporation ("**IEC**"), to transition to more extensive use of natural gas instead of the use of more expensive contaminating fuels such as coal, diesel oil and fuel oil. The development of the sector was accelerated upon the discovery of the Tamar and Leviathan reservoirs in the years 2009 and 2010 respectively. These discoveries materially affect the energy independence of Israel and the development and expansion of uses of natural gas in the Israeli market.

Pursuant to the development of the industry, the natural gas sector in Israel is undergoing significant changes that include *inter alia* regulatory, economic and environmental changes. Within a few years, the natural gas in the Israeli economy has become the central component in the power production fuel basket, and a significant source of energy for the Israeli industry. The natural gas resources discovered in Israel are able to provide all of the gas needs of the domestic market in the coming decades and the majority of its energy needs and thus, significantly reduce the dependence of the State of Israel on foreign energy sources.

The economic merit of investments in exploration and development of natural gas reservoirs is largely influenced by the oil and gas prices worldwide, and the demand for natural gas in the domestic, regional and global market, and the ability to export natural gas which requires, *inter alia*, the discovery of gas resources in significant scopes and the engagement in long-term agreements for the sale of natural gas in significant quantities, that will justify the high cost of construction of such infrastructures.

The use of natural gas holds many benefits for the Israeli market, including:

- **Reduced energy costs in the industry and in electricity production** – The low price of natural gas compared with currently common alternative fuels such as diesel oil and fuel oil, leads to significant saving of production costs, and thereby also to a decrease in the final product prices whose production costs mainly consist of the costs of electricity. Most of the power plants constructed in recent years in Israel generate electricity through turbines which are operated by natural gas combustion and are characterized by low construction costs,[10] shorter construction time, smaller areas of land[11] and many operational advantages. In addition to the relatively low price, power plants operated by natural gas are more efficient than plants which are operated by other fuels and therefore power plants and enterprises operate with a high energetic efficiency level which is also ultimately reflected in cost saving[12]. According to the estimates of the Natural Gas Authority[13], the transition to natural gas in the years 2014-2021 saved the Israeli market an estimated total of approx. ILS 115.62 billion[14]. Most of such saving derives from the electricity sector (approx. ILS 81.0 billion), total consumption by which in 2021 amounted to approx. 9.71 BCM, which represents 79% of the demand for natural gas. The rest of the amount saved due to the transition to use of natural gas is attributed to the industrial sector (approx. ILS 35.0 billion), total consumption by which in 2021 amounted to approx. 2.62 BCM which represents an increase of 4% versus 2020. ILS 64.8 billion out of the total market savings are attributed to 2021 due to the exceptionally high fuel prices worldwide in this year, versus the stable natural gas prices in Israel.

- **Clean energy** – The main substances emitted from the burning of natural gas are carbon dioxide and water vapor. Since coal and petroleum are more complex fuels, with higher ratios of Carbon and Nitrogen and Sulphur components, then upon their combustion more contaminants are released, including ash particles of materials which are not burned and are emitted into the atmosphere and add to the air pollution. Natural gas combustion on the other hand, releases a relatively small quantity of contaminants, and therefore the use thereof reduces the air pollution. In such context it is noted that thanks to the conversion of most of the electricity production in Israel from coal, fuel oil and diesel oil to use of natural gas, air pollution levels caused by electricity production in Israel have been reduced by tens of percentage points.

- **Energy independence** – The geopolitical characteristics of Israel make it an energetic island with limited ability to import fuels from neighboring countries, which forced it to rely for many years on costly fuels import from Europe. Israel's energetic isolation was

[10] About one half of the cost of a coal power plant, about one third of the cost of a nuclear power plant and about 15% of a wind energy operated plant.

[11] The natural gas is transported by an underground pipe and unlike other fuels, requires no storage areas. Furthermore, power plants which are based on natural gas need a considerably smaller area compared to plants which are based on coal or solar energy.

[12] A combined cycle power plant combining gas and steam turbines is characterized by an efficiency rate of 55%, significantly higher than power plants which are operated by other fuels. Cogeneration plants utilizing the thermal energy produced in the production process reach an efficiency rate of approx. 80%.

[13] Review of Developments in the Natural Gas Sector, Summary as of 2021 – Natural Gas Authority

[14] The calculation of the cost saving is made based on the assumption that without the entry of natural gas, it would have been necessary to both build new coal-fired power plants D and E, and supplement production with diesel and fuel oil. The savings derive only from fuel price differences and do not take into account capital investments for the construction of power plants and conversions to natural gas.

somewhat reduced between the years 2008 and 2012 upon the commencement of supply of natural gas from Egypt, however, the sudden cut of supply illustrated the importance of the development of local energy sources. The development of the natural gas market in Israel provides the Israeli industry with energetic security in the long term and will reduce its dependence on international energy prices.

- **Natural gas as a governmental source of income through taxation -** The Israeli natural gas market is directly benefiting and is expected to continue to directly benefit the domestic economy through governmental revenues from the taxation of the companies and from the VAT from sales to the ultimate consumer. Moreover, the Israeli market has a few unique taxation systems which apply to the natural gas sector, in addition to excise tax, which apply to natural gas, similarly to all of the other fuel products[15]. Furthermore, according to the Petroleum Law, the State charges royalties at a rate of up to. 12.5% of the total sales of natural gas at the wellhead. Moreover, following the conclusions of the Sheshinski Committee, the State is entitled to proceeds of petroleum and gas profits levy at a rate of up to 50% (depending, *inter alia*, on the corporate tax rate) of the revenues of the holders of the petroleum rights, net of royalties, operation costs and development costs.

- **Upgrade of Israel's geostrategic position** – Thanks to the development of the gas reservoirs in Israel's exclusive economic zone (EEZ), the State has at its disposal gas resources at a scope that exceeds the existing and expected needs of the domestic market. Thus, and further to Government Resolution 442 of June 13, 2014 regarding the policy on the export of natural gas, commercial quantities of natural gas are being exported from Israel to the countries in the region. In such context, export from the Tamar reservoir to industrial enterprises located on the Jordanian side of the Dead Sea commenced in 2017, and from 2020, with the beginning of production from the Leviathan reservoir, very significant quantities of natural gas are being exported to Jordan and Egypt.

4.2 Consumers

The natural gas market in Israel comprises several groups of consumers differentiated from each other in the nature of their activity and the characteristics of the natural gas consumption:

- **Israel Electric Corporation** – The IEC is a governmental company supervised by the Electricity Authority, *inter alia*, regarding the costs of inputs for electricity production, and in particular, the costs of natural gas. In 2022, the IEC purchased approx. 4.95 BCM of natural gas from the Tamar and Leviathan partners and from the Karish reservoir and also imported and consumed another approx. 0.1 BCM of LNG, compared to 2021 in which it

[15] Other than the electricity and industrial sectors in which consumers do not pay excise tax for the gas.

purchased approx. 4.5 ton BCM of natural gas from the Tamar and Leviathan partners and also imported and consumed another approx. 0.2 BCM of LNG. The rate of electricity produced by the IEC through natural and liquefied gas is estimated in 2021 and 2022 at approx. 55.5% and approx. 57.0%, respectively. In such context it is noted that according to the decision of the Minister of Energy by the end of 2022 the IEC should have ended the engagement with the regasification vessel used for reception and regasification of imported LNG. Accordingly, on December 8, 2022, the IEC ended its engagement with the regasification vessel and the remaining LNG that was then on the vessel was sold to Hadera Gateway.[16] The IEC is currently working on the construction of two more natural gas-fired power plants, which will replace units 1 and 4 of the Orot Rabin Power Plant, with a total capacity of approx. 1200 MW/h. These plants are expected to increase the demand for gas in the Israeli market, in parallel with the discontinuation of coal use scheduled for 2025.

- **Independent power producers** – The independent power producers ("**IPPs**") are divided into several types, according to the production technologies which they use: conventional IPP, cogeneration facilities, renewable energies IPPs, pumped energy (this technology does not produce power but rather stores the energy for use during peak hours or hours where it is not possible to produce power from renewable energies) and large enterprises that constructed power plants for themselves for which they received a self-production license. Section 93 of the Natural Gas Sector Law defines that natural gas sold to an independent power producer is a product subject to control under the Control of Prices of Commodities and Services Law, 5756-1996. In 2021, the natural gas consumption of the IPPs amounted to approx. 4.08 BCM, which represents approx. 33% of the overall consumption of natural gas in that year in the entire market.

- **Large industry consumers** – This tier of consumers comprises several significant consumers, which are essential to the development of the Israeli gas sector. Consumers with significant power and reputation in the Israeli market, having extensive experience and knowledge pertaining to the operations of Israeli industry in general and the operations of the natural gas sector in Israel in particular. Most of the large industrial enterprises in the market executed agreements for the purchase of natural gas within the construction of private power plants at the enterprise's premises, for the supply of the enterprise's needs of electricity and heat (by generating steam from the residual heat of the power plants), constituting only part of the production capacity of the power plant, and the sale of the produced electricity to external consumers or to the IEC. Accordingly, the natural gas purchase agreements signed by most of the large industrial enterprises thus far also have the characteristics of agreements with private power plants. In 2021, natural gas consumption by the industrial sector amounted to approx. 2.62 BCM, an

[16] Source: IEC's financial statement for 2022.

increase of 4% compared with 2020. The increase chiefly derives from the higher demand of a number of large industrial consumers.

- **Medium and small consumers** – The distribution networks' consumers sector which includes mainly medium and small enterprises and businesses, is a relatively new sector in the natural gas sector which began executing agreements for purchase and infrastructure conversion performance only in recent years. These consumers typically consume low gas pressure, at a relatively small amount, non-continuous over a whole day (24 hours), some of which not yet connected to the onshore transmission systems, or the distribution, and therefore consuming Compressed Natural Gas (CNG) – a temporary and not optimal solution, since the cost of consumption can reach twice the cost of the natural gas which is transmitted through the distribution network. It is noted that according to the regulation in this respect, some of these consumers are building or planning to build small scale, natural gas-fired power plants, which are intended to provide electricity and heat to the enterprise on the premises of which such power plants are built.

- **Additional markets and consumers** – In addition to the electricity and industrial sectors, several other sectors are expected to develop in the coming years and increase the demand for natural gas, including the transportation sector which is expected to significantly increase the scope of use of natural gas, in view of a forecast for entry into the market of electric vehicles and steps promoting use of CNG-fueled heavy vehicles and construction of CNG fueling stations, as well as enterprises using natural gas as a feedstock. In addition, the government is promoting measures designed to enable integration of natural gas in the housing sector for purposes of various household uses.

4.3 Regulatory environment

The production and sale of natural gas from reservoirs in the territorial waters of the State of Israel are subject to regulatory restrictions pertaining to the amount of gas produced, restrictions on the export of the gas outside of Israel, and others. In addition, the production and sale of natural gas from the Tamar, Leviathan, Karish and Tanin reservoirs and/or another reservoir, are subject to further regulatory restrictions, as specified below:

- **Royalties to the State of Israel** – Under the Petroleum Law, a lease holder is liable for a royalty of 12.5% of the amount of natural gas or petroleum produced in the lease and the lease holder will pay the State the market value of the royalty at the wellhead. The method of calculation of the market value of the royalty at the wellhead for the Tamar reservoir is under discussion between the Petroleum Commissioner and the partners in the Tamar reservoir and has not yet been finalized.[17] Commencing from 2019, the partners in the Tamar project are making annual advance payments on account of royalties at the rate of 11.3% of the Tamar project revenues, and in 2017 and 2018 at the rate of 11.65%. In the Leviathan reservoir, the partners in the reservoir are paying royalties to the State of Israel at the rate of approx. 11.26%. In H1/2020, the Natural Resources Administration at the Ministry of Energy published directives that include general instructions on the method of calculation of the royalty value at the wellhead with respect to offshore petroleum rights. The directives further determine that the Commissioner will prescribe for each lease owner, from time to time, specific instructions for each lease, which will specify the deductible expenses, for purposes of calculating the royalty, according to the specific characteristics of the lease. On September 6, 2020, the Ministry of Energy published specific instructions for the Tamar reservoir.

- **Taxation of Profits from Natural Resources Law** – The Resources Taxation Law prescribes a levy on petroleum and gas profits according to a mechanism which relates the rate of the levy and the ratio of the net accrued revenues from the petroleum and gas production project and the total accrued investments for the initial exploration and development of the reservoir ("**Investment Coverage Ratio**"). The minimal levy at a rate of 20% will be charged when the Investment Coverage Ratio will reach 1.5 and will increase gradually to a rate of 50% (depending, *inter alia*, on the Corporate Tax rate) when the Investment Coverage Ratio shall reach 2.3. The levy will be calculated and imposed on each reservoir separately. On November 10, 2021, the Knesset approved in the second and third reading a bill which prescribes, *inter alia*, rules on payment of disputed assessments.[18]

- **Antitrust and exemption from the provisions of the Economic Competition Law** – In August 2015, a government resolution was made regarding a framework for the regulation of the natural gas market in Israel including with respect to the rights of the Partnership in the natural gas reservoirs Tamar, Leviathan, Karish and Tanin which took effect on December 17, 2015 upon the grant of an exemption from several provisions of the Economic Competition Law, 5748-1988.

  The Gas Framework grants an exemption to NewMed Energy, Chevron and Ratio Oil Exploration (1992), Limited Partnership (jointly below, the "**Parties**"), from the restrictive arrangements pertaining to the Leviathan reservoir. Furthermore, The Gas Framework grants an exemption with respect to specific powers of the Commissioner (power to

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[17] In May 2020, the Natural Resources Administration at the Ministry of Energy published the final version of the directives on the method of calculation of the value of the royalty at the wellhead pursuant to Section 32(b) of the Petroleum Law, 5712-1952.

[18] Taxation of Profits from Natural Resources Law (Amendment no. 3), 5782-2021. https://main.knesset.gov.il/Activity/Legislation/Laws/Pages/LawBill.aspx?t=lawsuggestionssearch&lawitemid=2155633

regulate acts of a monopoly through directives, power to order a holder of a monopoly to sell an asset, and power to order the separation of a monopoly), in connection with NewMed Energy and Chevron being holders of a monopoly by virtue of the declaration thereon by the Commissioner in 2012 (the "**Exemption**").[19] The grant of the Exemption as described above is subject, *inter alia*, to the fulfillment of the following conditions:

a. The sale of the interests of NewMed Energy and Chevron in the Karish and Tanin reservoirs to a third party, not related to any of them, within 14 months from the date of grant of the Exemption or from the date of release of a new regulation draft by the Petroleum Commissioner pertaining to the qualifying conditions for an operator, whichever is later. On August 16, 2016, an agreement was executed for the sale of all of the interests in the Karish and Tanin leases between NewMed Energy and Energean.
b. The sale of all of the interests of NewMed Energy in the Tamar reservoir to a third party not affiliated therewith or to any of the holders of interests in the Leviathan, Karish and Tanin reservoirs as well as limitation of the interests of Chevron in the Tamar reservoir to a maximum rate of 25% within 72 months. In January 2018, Chevron sold to Tamar Petroleum Ltd. 7.5% of its interests in the Tamar reservoir, and as a result, it went down to a 25% holding rate in the Tamar reservoir. On May 5, 2021, the Partnership engaged with a third party in an agreement for the sale of all of its holdings in Tamar Petroleum (22.6%) in consideration for a sum of ILS 100 million in cash.
c. On December 9, 2021, the Partnership closed the sale of its interests at the rate of 22% in the I/13 Dalit and I/12 Tamar leases to a group of investors headed by Mubadala Petroleum (Tamar Investment 1 RSC Limited and Tamar Investment 2 RSC Limited) in consideration for approx. $1.0 billion.
d. The imposition of restrictions on new agreements to be executed for the supply of gas from the Tamar and Leviathan reservoirs, such as a prohibition on limitations on purchase from other suppliers, in certain cases granting the consumers the right to unilaterally set the period of engagement and granting a unilateral option to the consumers to change the scope of supply in the agreement.

- **Stable regulatory environment** – In the original framework, the Israeli government undertook to maintain "regulatory stability" in the context of natural gas exploration and production for a period of 10 years. In March 2016, HCJ ruled that the issue of the

[19] Declaration on holders of a monopoly under Section 26(a) of the Restrictive Trade Practices Law, 5748-1988: Delek Drilling Limited Partnership together with Avner Oil & Gas Exploration, Limited Partnership, Noble Energy Mediterranean Ltd., Isramco Negev 2, Limited Partnership, and Dor Gas Exploration, Limited Partnership – holders of a monopoly in the supply of natural gas to Israel starting from H2/2013 (November 13, 2012) Restrictive Trade Practices 500249.

regulatory stability in the Gas Framework in the existing version was illegal. In May 2016, the government re-adopted its resolution on the Gas Framework while setting an alternative arrangement pertaining to a "regulatory stable environment" in order to ensure a regulatory environment which encourages investments in the natural gas exploration and production sector.

- **Price regulation** – In the period between the taking effect of the Gas Framework, and until the date of fulfilment of all of the conditions of the Exemption, upon completion of the sale of the Partnership's holdings in the Tamar reservoir in December 2021, the price control in the natural gas sector by virtue of the Restrictive Trade Practices Law was limited to the imposition of reporting requirements regarding profitability and the gas price, provided that during this period, the holders of the interests in Tamar and Leviathan shall offer potential consumers a price based on the weighted average price of the prices in the agreements that exist in the reservoirs, in several of the price and linkage alternatives published within Government Resolution 476 of August 16, 2015. Starting from Q3/2016, the Natural Gas Authority released, each quarter, the weighted price of natural gas and the price of natural gas for IPPs. Starting from the completion of the sale of the Partnership's holdings in Tamar, as aforesaid, the Gas Authority ceased to release the natural gas prices as aforesaid, and the partners in the gas reservoirs are no longer required to offer such prices to their customers.

  On June 1, 2020, the decision of the Competition Commissioner was released, pursuant to Section 14 of the Economic Competition Law, 5748-1988, regarding amendment of the conditions for granting certain exemptions from approval of restrictive arrangements for several arrangements between the Tamar partners and their customers, cancelling the requirement for pre-approval of any agreement for the supply of gas from the Tamar project, in lieu of which the agreements will be subjected to a self-assessment regime, i.e. the burden of examining the lawfulness thereof will be imposed on the Tamar partners and their customers, while the Competition Commissioner will be able to examine the agreements retroactively and even not in proximity to the date of the signing thereof, and to take enforcement measures insofar as it is found that arrangements were performed that harm competition.

4.4 Risk factors

The exploration and findings development operations of oil and natural gas involves significant monetary expenses in conditions of uncertainty resulting in a very high financial risk level. Following are risk and uncertainty factors with significant effect on the operations of the Buyer of the Karish and Tanin reservoirs and the proceeds expected therefrom:

- **Changes in the Electricity Production Tariff, price indices, alternative energy sources prices** – The prices paid by the consumers for the natural gas derive, *inter alia*, from the Electricity Production Tariff as updated by the Electricity Authority on an annual basis, from the Shekel/US Dollar exchange rate, the US consumer price index and the prices of fuels alternative to gas such as fuel oil, diesel oil and Brent. Furthermore, a significant change in alternative energy sources could lead to a change in the use model of the IEC such that priority shall be granted to power plants operated by gas alternatives. A decline in tariffs can also adversely affect the prices which will be obtained from the Karish and Tanin reservoirs and the economic merit in the development thereof. At the same time, according to Energean's reports, the selling price in the agreements include a "floor price".

- **Growth of the renewable energy sector** – Recent years have seen a rise in the share of renewable energies in the mix of fuels used to produce electricity in Israel. Renewable energy is defined as energy produced from heat and solar radiation, wind, bio-gas and bio-mass, or any other non-depletable source that is not fossil fuel. Approx. 8.2% and approx. 9.8% of actual power production in the State of Israel in 2021 and H1/2022, respectively, came from renewable sources, but this figure is expected to rise following the addition of the quotas initiated by the government with the aim of reaching the target of production from renewable sources of approx. 20% of the total demand for energy in 2025, and 30% by 2030.[20] The rates of renewable energies have been gradually reduced by the Authority since 2008 due to the decrease in the construction and financing costs and the holding of competitive processes. These trends indicate that renewable energies may account for a larger share of future power production in Israel.

- **Geopolitical risk** - The security and economic situation in Israel as well as the political situation in the Middle East may affect the willingness of states and foreign bodies, including in the Middle East, to engage in business relations with Israeli bodies and/or international bodies acting in Israel. Therefore, any deterioration in the geopolitical situation in the Middle East and/or deterioration in the relations between Israel and its neighbors, for security and/or political and/or economic reasons, may undermine the ability of the companies in the Israeli gas and oil market to promote their business with such states and bodies and export gas to neighboring states.

- **Competition in gas supply** – Over the past two decades, several significant gas reservoirs were discovered in Israeli waters in amounts which significantly exceed the estimates of the Ministry of Energy regarding the needs of the domestic market. Israel granted exploration licenses in its EEZ following two competitive processes (in 2017 and 2019),

[20] "Status Report – Renewable Energy Targets in the Electricity Sector" – the Electricity Authority, June 2022: Files_netunei_hasmal_doch_yaad_mithadshot_06_2022_f.pdf (www.gov.il)

which may lead to further discoveries. 2017 saw the commencement of substantial production from the Egyptian "Zohr" reservoir, which supplies gas to the Egyptian market. In addition, significant reservoirs were discovered in the EEZ of Cyprus, for which reservoirs development decisions have yet to be made. Furthermore, additional reservoirs may be discovered in the future, both in Israel and in other countries in the Eastern Mediterranean Basin, the development of which reservoirs may lead to the entry of additional natural gas supply competitors into the domestic market and into neighboring countries, thus increasing the competition in the sector.

- **Restrictions on export** – Limiting the amount of exportable gas may have adverse effects in the form of surplus supply in the domestic market and reduced tariffs which may also adversely affect the prices obtained from the Karish and Tanin reservoirs and the economic merit in the development thereof. In this context, it is noted that, according to the Adiri Committee's draft recommendations of July 2018, the gas export quotas as determined in Government Resolution 442 shall remain unchanged. However, according to the Committee's recommendations, the formula for calculating the export quota shall be changed, such that it will be higher relative to the formula determined by Government Resolution 442, solely for gas reservoirs that have not yet been discovered. On October 25, 2020, the government decided to form a professional team that will periodically examine the recommendations of the committee for the examination of the Government's policy regarding the natural gas sector in Israel. On January 6, 2019, the Government approved the recommendations of the Adiri Committee in Government Resolution 4442.[21] On October 13, 2021, the Adiri II Committee recommended to keep the natural gas export restrictions for existing reservoirs as determined in Government Resolution 4442, but to cancel the export restriction on new reservoirs that shall be discovered.

- **Dependence on the proper function of the national transmission system** – The ability to supply the gas to be produced from the reservoirs to potential consumers is dependent, *inter alia*, on the proper function of the national gas transmission system and the regional distribution networks.

- **Dependence on contractors and on professional services and equipment providers –** As of the date hereof, there are in Israel no contractors that are performing most of the actions required for the construction and operation of natural gas and oil reservoirs, and therefore there is a dependence of the companies working in the sector on foreign contractors for the performance of such work. Furthermore, the number of facilities that are capable of drilling and performing development activities offshore, in general, and in

[21] Website of the Ministry of Energy, Spokesman's Notice of January 10, 2019 https://www.gov.il/he/departments/news/ng_060119

deep-water, in particular, is relatively small and there is a chance that no suitable facility will be found for performing the aforesaid actions on the dates to be scheduled therefor. Consequently, the aforesaid actions may entail high costs and/or considerable delays may be caused in the schedule determined for the performance of the work.

- **Operational risks and lack of sufficient insurance coverage** – Oil and gas exploration and production activities are exposed to a variety of technical and operational risks, such as loss of control over a drilling or a well and/or a malfunction in subsea facilities or facilities above sea level, which could damage the functioning of the production and transmission system, to the point of short or long-term shutdown. There is also a risk of liability for damage deriving from contamination due to the eruption and/or leakage of liquid and/or a gas leak. Despite the insurance existing in the market, not all of the possible risks are covered or are coverable.

- **Solely estimated costs and timetables and the option of lack of means** – Estimated costs for the performance of exploration and development activities and estimated timetables for the performance thereof are based solely on general estimates and could deviate significantly. The exploration plans could significantly change, *inter alia*, following failures and/or findings which will be obtained during the performance of such actions and lead to significant gaps in the timetables and the estimated costs of such activities. In certain cases, the holder of the lease may waive the performance of certain activities required according to the work plan of the reservoirs and lose the rights therein as a result.

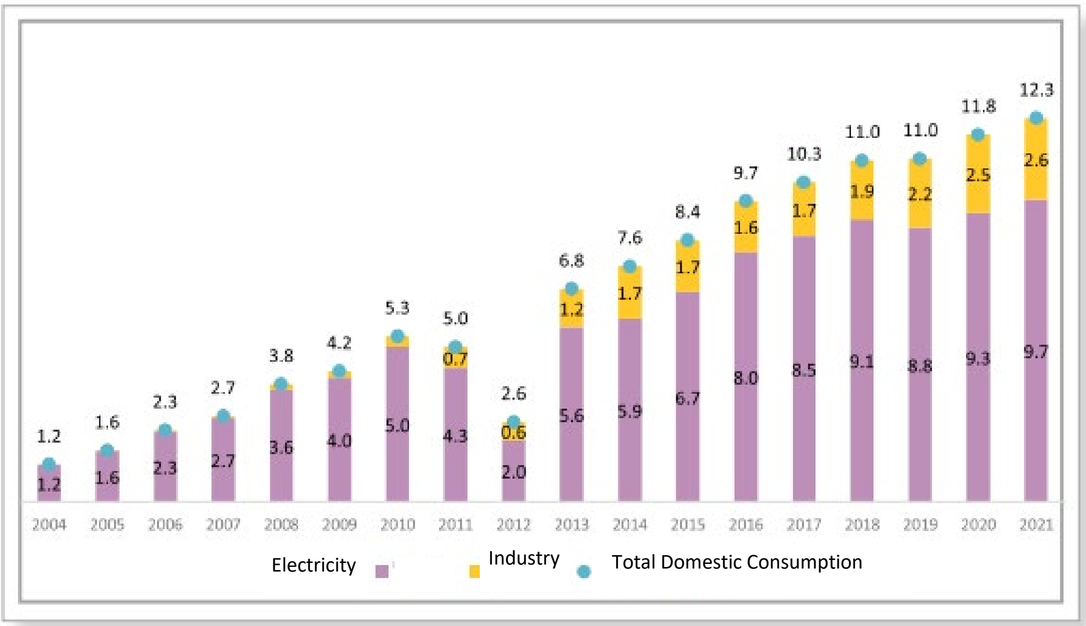
- **Regulatory changes** – The operating segment requires many regulatory approvals, mainly by the entities authorized under the Petroleum Law and the Natural Gas Sector Law, as well as related approvals of the State's authorities (including the Ministry of Energy, the Ministry of Defense, the Ministry of Environmental Protection, the tax authorities, the Competition Authority and the various planning authorities). In recent years several proposals were made for amendments of laws and/or regulations and/or directives relevant to the operating segment and several resolutions, laws and directives were released, the implementation of which could have a negative effect on the companies operating in the field.

- **Applicable environmental regulation** – The companies that operate in the natural gas sector are subject to a range of laws, regulations and directives on the issue of environmental protection, which relate to various matters such as: leaking of oil, natural gas or of other pollutants into the marine environment, the release into the sea of polluting substances and waste of various types (wastewater, residues of drilling equipment, drilling mud, slurry, etc.), chemical substances used at the various work stages, emission of pollutants into the air, light and noise nuisances, construction of piping infrastructures on the seabed and related facilities. In addition, the companies are required, through the operators of the projects, to obtain approvals from entities authorized under the Petroleum Law, the Natural Gas Sector Law and other laws (such as environmental protection laws) for the purpose of their activity.

Additional risk factors – There are other factors which contribute to the uncertainty prevailing in the operating segment including difficulties in obtaining financing, information security risks, dependence on material customers, dependence on weather and sea conditions, cancellation or expiration of rights and petroleum assets and more.

4.5 Demand

Chart 1 – Natural gas consumption in the domestic market in 2004-2021 in BCM per year[22]



The consumption of natural gas in the Israeli market in 2021 (including export of Israeli gas to neighboring countries) amounted to approx. 19.47 BCM, an increase of approx. 21.3% compared with the consumption in 2020. Approx. 50.1% of the amount was supplied from the Leviathan reservoir, approx. 44% of the amount was supplied from the Tamar reservoir, and the balance (approx. 6%) from the import of LNG via the offshore LNG buoy. From 2004 until the end of 2021, a total quantity of approx. 130 BCM of natural gas was supplied. According to the Natural Gas Authority, the upward trend in natural gas consumption will also

[22] Source: Review of the developments in the natural gas sector, 2021 summary, Natural Gas Authority https://www.gov.il/BlobFolder/reports/ng_2021/he/ng_2021.pdf

continue in the coming years, both as a result of domestic demand and as a result of demand for export.

According to a report prepared by the professional team at the Ministry of Energy for a second periodic review of the government's policy with respect to the natural gas sector[23], the natural gas consumption in Israel (excluding export to neighboring countries) in 2025 is expected to amount to approx. 15.7 BCM and in 2030 to approx. 16.9 BCM. The forecast assumes a normative increase in the demand for electricity in the next decades in accordance with achievement of the proposed target in the energy efficiency field and achievement of the government's targets in the electricity production from renewed energies field (approx. 2.13% per year), an average increase in industry (approx. 1.5% per year after conversion of industrial plants to natural gas in the coming decade) and transportation demand according to government incentive programs. The scenario also takes into account the establishment of a plant for natural gas-follow-on products, such as ammonia or methanol, as well penetration of 1.5 million electric cars by 2032 as a result of the prohibition on petrol and diesel car sales from 2030.

Below are the main factors expected to motivate growth in the demand for natural gas:

4.5.1 The electricity sector

In recent years, a trend is apparent of a significant reduction of use of petroleum and coal distillates in power production and transition to use of natural gas and renewable energies. This trend is led by the Ministry of Energy and government decisions determining goals for the reduction of use of polluting fuels, *inter alia*, by shutting down IEC power plants and conversion thereof to production with natural gas, in parallel with the privatization of some of the IEC production plants, the construction of two gas plants and granting licenses for the construction of new plants by private producers. Government decisions adopted in such regard are specified below:

- In August 2016, the Minister of Energy announced his decision to shut down four coal production units of IEC upon the connection of three gas reservoirs to the shore and the construction of new natural gas operated power plants within up to six years. Following that, in September 2016, emission permits were received by the IEC under the Clean Air Law, 5768-2008 with respect to its coal power plants sites, which included, *inter alia*, an obligation to continue installing emission reduction measures, as well as the shutdown of

[23] Source: The report of the professional team for second periodic review of the government's policy on the issue of the natural gas sector https://www.gov.il/BlobFolder/rfp/ng_210621/he/ng_report_2_draft.pdf

units 1-4 in the coal power plant at the “Rabin Lights” site, no later than June 1, 2022. As of the Valuation Date, these units are still active.

- In November 2017, the Minister of Energy decided of principles of policy on the issue of minimal operation of coal production units, according to which natural gas electricity production shall be granted preference at any time to electricity production with coal, while operating the coal units at a minimal load which allows flexibility and reliability of the supply to the market.

- In March 2018, the Finance Committee of the Knesset, followed by the plenum of the Knesset approved the orders, which prescribed, *inter alia*, that the excise tax on coal will be increased as of March 15, 2019 by approx. 125% in view of the government’s policy to reflect external costs of fuels and encourage the expansion of use of natural gas. On February 20, 2019, the Minister of Finance signed an order postponing the expected rise in excise on coal, and it took effect on January 1, 2021. On January 10, 2023, the Minister of Finance issued an order postponing the increase of excise tax on coal until the end of 2023. In addition, it was decided that from January 1, 2024, the excise tax on compressed natural gas (CNG) will increase gradually, subject to the existence of no less than 25 CNG fueling stations that shall receive all of the approvals required for operation. It was further determined that from May 1, 2018, the reimbursement of excise on diesel oil, which is used mainly for transportation purposes, will gradually be cancelled.

- In October 2018, the Minister of Energy presented a plan whose purpose is to lead to a reduction in the use of polluting energy, the principle of which is to decrease the use of polluting fuel products by 2030. According to the plan, targets have been set for the following sectors:

  a. The electricity sector – Electricity production using 80% natural gas and 20% renewable energies as of 2030, with a final shutdown of the coal-fired power plants in Hadera and in Ashkelon in 2028.

  b. The industrial sector – Production of 95% of the energy and steam required by the industry by means of natural gas as of 2030.

  c. The transportation sector – A gradual transition to electric cars and natural gas trucks and the imposition of an absolute ban on the import of cars that operate on polluting fuels as of 2030.

- In November 2019, the Minister of Energy announced that it is possible to shorten the timetables for the conversion of the coal power plants in Hadera and in Ashkelon to natural gas to 2025. Consequently, in that year, the coal age in the State of Israel is expected to end. The aforesaid decision shortens the timetables that were previously determined, by 4 years.

- On June 8, 2020, a joint notice was released by the Ministry of Energy and the Ministry of Environmental Protection[24] on the Ministers' decision to instruct the IEC to expand the planned shutdown of the polluting coal-fired units 1-4 at the Rabin Lights site in Hadera, commencing from the second half of 2020 until the final shutdown thereof in 2022, thus bringing about another significant reduction of air pollutant emissions.

- On June 24, 2020, the Minister of Energy[25] announced his decision to further reduce approx. 20% of the use of coal in IEC's power plants, as compared with 2019. Therefore, the use of coal in 2020 will not exceed 24.9% (compared with 30% in 2019).

- On October 25, 2020, a government resolution was adopted on the subject of promotion of renewable energy in the electricity market, a resolution which was based *inter alia* on the policy principles set forth by the Minister of Energy in July 2020, according to which, electricity production from renewable energies in 2030 shall be 30% of the total electricity consumption, and electricity production from natural gas shall be 70% of the total electricity consumption. In addition, the interim goal was updated such that electricity production from renewable energies shall be 20% by the end of 2025. The implementation of such policy may affect the demand for natural gas in the domestic market.

- On February 8, 2021, it was reported that the Minister of Energy had instructed the IEC to reduce the use of coal such that it shall not exceed 22.5% of the total electricity production in 2021, as part of the policy to end the coal era in Israel by 2025.[26]

- On April 18, 2021, the Ministry of Energy released a Road Map[27] until 2050 for the low carbon energy sector, which continues the program to reduce the use of polluting energy which was presented in 2018. In accordance with the program, the following targets for the sectors were determined:

    a. Electricity sector – The production of electricity by using 70% natural gas and 30% renewable energies beginning in 2030, while ending the use of coal for electricity production in Israel by 2025.

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[24] Website of the Ministry of Energy, Spokesman's Notice of June 8, 2020 https://www.gov.il/he/departments/news/press_080620

[25] Website of the Ministry of Energy, Spokesman's Notice of June 24, 2020 https://www.gov.il/he/departments/news/press_240620

[26] https://www.calcalist.co.il/local/articles/0,7340,L-3892470,00.html

[27] https://www.gov.il/he/departments/publications/reports/energy_180421

b. The transportation sector – A gradual shift to electric cars and natural gas trucks, so that by 2030 the number of electric cars sold will be 50% of the total cars sold in Israel. Furthermore, Israel will adopt the common regulation worldwide and beginning in 2030 it will impose a total prohibition on the import of cars which run on polluting fuels.

In addition, it was determined that by 2030 greenhouse gas emissions in the energy sector will be reduced by approx. 23% compared with 2015, and by 2050, 80% of greenhouse gas emissions will be reduced compared with 2015.

- On June 10, 2021, the Electricity Authority (the "**Authority**") announced a call with respect to an update to the demand hour clusters. In this context, the Authority requested public comment on an update to the electricity demand hours.[28]

- According to the current forecast of the Electricity Authority,[29] the production of electricity from natural gas is expected to increase significantly, amounting to approx. 77% in 2025.

4.5.2 Transition to use of natural gas in industry

- Natural gas is a central component of the industry's energy consumption (approx. 32.5% of the total use of fuels in Israeli industry in 2020)[30]. The enterprises are connected to natural gas through transmission and distribution networks, with the transmission and distribution fees supervised by the Natural Gas Authority.

- According to a summary review of the developments in the natural gas market by the Natural Gas Authority at the Ministry of Energy for 2021, approx. 575 km of distribution pipelines have been laid out to date throughout Israel (approx. 160 km of which in 2021, an increase of approx. 38% relative to 2020) and approx. 830 km of transmission pipelines (approx. 30 km of which in 2021). An expansion of the natural gas distribution network may enable the connection to the network, by 2030, of hundreds of potential industrial consumers whose consumption may amount to approx. 0.72 BCM per year, representing approx. 80% of the light industrial consumption potential.

- According to the Natural Gas Authority's estimations, without additional policy steps, until 2025, approx. 150 consumers with a total consumption of approx. 0.45 BCM, which represents approx. one half of the overall connection potential of the light industry

[28] https://www.gov.il/BlobFolder/rfp/kol_kore_mashab/he/Files_Kol_Kore_kol_kore_mashab_malle.pdf
[29] Source: 2021 Electricity Sector Status Report – Electricity Authority
https://www.gov.il/he/departments/publications/reports/doch_meshek_hachashmal_2021
[30] Source: 2020 Israeli Energy Sector Review – the Ministry of Energy
energy_sector_review_2020.pdf (www.gov.il)

consumers, are expected to connect to the distribution network. Further potential consumption of approx. 0.27 BCM which derives from the connection of approx. 300 additional, smaller, plants, is expected to materialize following the implementation of additional policy steps (such as budgetary support in the layout of the distribution network, encouragement of consumers to use natural gas etc.).

- According to the Natural Gas Authority's estimations, in 2030, the total demand for natural gas in the industrial sector is expected to exceed 3 BCM, of which approx. 2.25 BCM are from consumption of natural gas in the industry for consumers that are connected to the transmission system, and approx. 0.84 BCM are from consumption of natural gas for consumers that are connected to the distribution network.

- On July 10, 2020, the Ministry of Energy released a legislative memorandum for the amendment of the Natural Gas Sector Law, whereby the Minister of Energy may grant a license for the construction of a particular distribution network to Israel Natural Gas Lines Ltd. ("**INGL**"), should he find that there is an urgent need therefor, and no private-sector body is able and willing to build the system. The purpose of the said legislative memorandum is to enable the acceleration of the connection of industry enterprises to the natural gas infrastructure.

4.5.3 Export

Recently, the relations with several neighboring countries, the business relations with which are strategic for the State of Israel in general, and for the gas companies in particular, have demonstrated a trend of improvement. The improvement in the relations has led to the signing of agreements for export of natural gas from Israel to its neighbors, as specified below:

- The Tamar partners signed agreements with NBL Eastern Mediterranean Marketing Limited ("**NBL**") for the purpose of export of natural gas to consumers in Jordan. Simultaneously, NBL signed an agreement with two companies from Jordan, Arab Potash Company and Jordan Bromine Company, whereby they will purchase natural gas from NBL which will be used by them at their plants which are located on the east bank of the Dead Sea in Jordan. The aforesaid agreements are for periods of approx. 15 years and the total quantity of natural gas in such agreements is approx. 3 BCM.

- On September 26, 2016, an agreement was signed between the Leviathan partners and the Jordanian electric power company (NEPCO) for the supply of up to approx. 45 BCM of natural gas for a period of approx. 15 years. According to a report of NewMed Energy dated December 31, 2019, flow of natural gas has begun from the Leviathan reservoir to the customers with which gas agreements were signed, and from January 1, 2020 also to NEPCO.

- On February 19, 2018, agreements were signed between NewMed Energy and Chevron, and Dolphinus, an Egyptian company, which were assigned on September 26, 2018 to the Tamar partners and the Leviathan partners. On September 26, 2019, amendments were signed to the said export agreements for the supply of natural gas from the Tamar reservoir and the Leviathan reservoir in quantities of approx. 25.3 BCM and approx. 60 BCM, respectively, for a period of approx. 15 years. The Take-or-Pay mechanism in the amended export agreements includes a reduction of the minimal annual consumption commitment to 50% for a calendar year in which the average Brent price is lower than 50 dollars. On January 15, 2020 the Leviathan partners reported the commencement of the flow of gas to Egypt, and gas flow from the Tamar reservoir to Egypt began in July 2020.

- On November 6, 2019, a transaction was closed for the acquisition of 39% of EMG, which owns a subsea pipeline for the transport of gas between Israel and Egypt, by EMED (a company held by NewMed Energy (25%), Chevron (25%) and the East Gas Company (50%)). Further to the foregoing, an agreement was signed between EMED and EMG, under which the capacity and operation rights in connection with the EMG pipeline were transferred in their entirety to the buyer (EMED), for execution of the agreements with Dolphinus, as described above.

- On March 26, 2020, the Natural Gas Commission released an addendum to the decision of September 7, 2014 regarding the funding of projects for export via the Israeli transmission system and distribution of the costs of construction of the combined Ashdod-Ashkelon section. The addendum to the decision determines, *inter alia*, that the offshore section of the transmission system to be built between Ashdod and Ashkelon, enabling transmission to Egypt of the full gas quantities specified in the Dolphinus agreements, shall be funded by the holder of the transmission license (43.5%) and by the exporter (56.5%), according to milestones that will be set under the transmission agreement.

- On February 15, 2021, the partners in the Tamar and Leviathan reservoirs reported the fulfillment of the closing conditions in the transmission agreement that was signed with INGL for the export of gas to Egypt in a manner that will allow flow on a regular basis and increased sale quantities to Egypt according to the supply conditions in the gas sale agreements of the various partnerships.

- On October 13, 2021, the Adiri 2 committee recommended leaving in place the natural gas export restrictions on existing reservoirs, as determined in Government Resolution 4442, but cancelling the export restriction on new reservoirs that shall be discovered.

- On February 16, 2022, the Ministry of Energy[31] approved commencement of the piping of the natural gas to Egypt, via the Kingdom of Jordan. The export via the new route, which was approved in view of the increasing demand for natural gas in Egypt, is expected to be 2.5-3 BCM in 2022, and may increase to 4 BCM in subsequent years. Actual piping of the natural gas began on March 1, 2022[32] and is expected to increase the volume of natural gas exported to neighboring countries in a manner that shall secure supply of the annual contract quantity required under the export agreements in 2022.

- Natural gas export in 2021 amounted to approx. 7.14 BCM (an increase of about 68% from 2020). Approx. 86% of the exported gas was produced from the Leviathan reservoir, and the rest from the Tamar reservoir. In 2021 the Ministry of Energy promoted the construction of another onshore pipeline to Egypt, in addition to the existing offshore pipeline (EMG). The new onshore pipeline to Egypt, which is currently in design, is expected to transmit between 3 and 6 BCM per year, and is intended to be built between Ramat Hovav and Nitzana.

4.5.4 Energy prices globally and in Israel

- In a review of the 2021 global energy crisis released by the Natural Gas Authority, it was estimated that the global demand for energy in 2021 was restored to pre-Covid levels, and with cancelation of the lockdown policy in the various countries, the demand for all energy types increased. The response on the supply side was slow relative to the demand side, due to the need to resume investments, rehire employees, and thus restart the business. Therefore, the sharp rise in demand, along with the uncertainty surrounding the rate of recovery from the pandemic, was not met with adequate supply, which led to a price increase.

- As a result of the global decrease in coal prices in the first few months of 2023 (as of March 31, 2023, a ton of coal is traded for approx. $137.8 compared with approx. $190.5 on December 31, 2022[33]), the Electricity Authority decreased the electricity tariff for 2023 in January and March by approx. 1.5% and 2.4% for the domestic consumer, respectively (after it increased the tariff by approx. 8.2% for the domestic consumer at the beginning of 2023).[34] Following the outbreak of the war between Russia and Ukraine at the beginning of 2022, global energy prices skyrocketed, further to the increases in energy prices in 2021 (compared with the Covid period). Despite the slight downward trend in energy prices in H2/2022, the current global petroleum prices also continue to be higher

[31] "New route for the export of natural gas to Egypt – North Jordan!" – Ministry of Energy, February 16, 2022 https://www.gov.il/he/departments/news/ng_160222
[32] https://mayafiles.tase.co.il/rpdf/1433001-1434000/P1433795-00.pdf
[33] https://markets.businessinsider.com/commodities/coal-price
[34] Decision No. 65203 – Update of the Electricity Tariff for IEC Consumers

than on the eve of the war's outbreak (the average price of a Brent barrel in March 2023 was approx. $78.53, compared with an average price of approx. $70.4 per Brent barrel in 2021). However, at the beginning of 2023 global natural gas prices returned to the levels at the eve of the war's outbreak.[35] The State of Israel does not depend on the import of natural gas, and it supplies the principal part of the demand itself. Furthermore, the gas prices in Israel are fixed in long-term agreements and are therefore not directly impacted by changes in global energy prices. Nevertheless, natural gas prices in Israel are indirectly affected due to the linkage components under the contracts for the purchase of natural gas in Israel, mainly to the dollar and to the production component in the electricity tariff. In recent months, the dollar has strengthened against the shekel, which increases natural gas prices in Israel in view of the dollar linkage components.

According to a forecast prepared for the Partnership by an outside consultant, the domestic demand for natural gas in 2022 is expected to total approx. 12.6 BCM and gradually increase to approx. 17 BCM in 2025, and to approx. 20.5 BCM in 2030. The increase in domestic demand between 2020-2030 is expected to derive mainly from an addition of approx. 4.3 BCM as a result of discontinuance of the use of coal for electricity production, an addition of approx. 5 BCM as a result of natural growth in the demand for electricity (population growth, improvement in the standard of living and in disposable income), and an addition of approx. 2.3 BCM as a result of the use of electric transportation. Conversely, the demand forecast includes a decline in domestic demand for natural gas due to renewable energies penetrating the domestic market, and in reference to the current target of the Ministry of Energy for electricity production from renewable energies to account for 30% of all power consumption in 2030. The outside consultant's forecast assumes partial *de facto* compliance with this target, with the government target aiming for approx. 17 GW of installed capacity in 2030, gas and the said forecast assuming that this target will be accomplished in 2033.

4.6 Market developments

4.6.1 The "Tamar and Leviathan" leases

- On December 31, 2019, the Leviathan partners reported the commencement of natural gas flow from the Leviathan reservoir to customers according to the agreements signed with them for the supply of natural gas from the reservoir. Further thereto, it was reported that on January 1, 2020 and on January 15, 2020, the gas flow from the Leviathan reservoir began to Jordan and to Egypt, respectively.

- On October 2, 2020, Noble Energy, which holds interests in the Tamar and Leviathan reservoirs and is the operator of such reservoirs, reported that the shareholders' meeting

[35] A World Bank Monthly Commodity Price Data (The Pink Sheet), January 2023.

had officially approved the acquisition of this company by American company Chevron in consideration for approx. $5 billion.

- On September 13, 2020, Delek Group Ltd. (in this section: "**Delek Group**") reported that Delek Energy, a wholly owned subsidiary of Delek Group, had entered into an agreement with Essence Royalties, Limited Partnership, for the acquisition of all Delek Energy's holdings in Tomer Royalties (approx. 39.93% as of such date) for a total consideration of approx. ILS 46 million.

- On September 23, 2020, NewMed Energy reported that the partners in the Leviathan project had signed a natural gas supply agreement with the Ramat Hovav partnership for a total volume of 1.3 BCM for a period of 30 months, or until the date of commercial operation of the Karish and Tanin reservoir, whichever is earlier.

- On October 28, 2020, Delek Group reported the completion of the issue of bonds secured by a pledge of the rights thereof (25%) and of Delek Energy Systems Ltd. (75%) to overriding royalties from the Leviathan reservoir, in consideration for approx. $180 million, net of a safety cushion for interest payment and issue and underwriting expenses. The bonds bear a fixed annual dollar interest rate of 7.494% and have an international rating of +B (Fitch).

- On January 19, 2021, the Partnership and INGL reported that INGL had entered into an agreement with Chevron for the provision of transmission services on a firm basis for the purpose of piping natural gas from the Leviathan reservoir and from the Tamar reservoir to EMG's terminal in Ashkelon for export to Egypt. According to the agreement, Chevron undertakes to purchase approx. 5.5 BCM of the piping capacity of the transmission system per year, and at least 44 BCM throughout the term of the agreement. Conversely, INGL undertook to transmit no less than the aforesaid gas quantity on a firm basis, while the remaining required quantity will be piped on an interruptible basis. It was further clarified that, in the Partnership's estimation, the transmission system was planned in a manner enabling the piping of the full quantities of gas required under the agreement. In the Partnership's estimation, INGL's expected income under the agreement is expected to total approx. ILS 170 million per year. The transmission agreement will end on the earlier of: (1) the date on which the total quantity piped is 44 BCM; (2) 8 years after the date of commencement of the flow (between July 2022 and April 2023); or (3) upon expiration of the company's transmission license. The report further clarified that the Partnership does not expect any difficulty extending the agreement upon its expiry. On February 15, 2021, INGL reported the fulfillment of the closing conditions determined in the agreement.

- On February 27, 2023, INGL informed Chevron that due to a malfunction in a ship carrying out infrastructure work for the laying of a subsea pipeline for INGL in the Ashdod-Ashkelon subsea transmission system segment, a delay of at least 6 months in the completion of the project is expected, such that the time frame during which commencement of the gas flow is possible has been postponed to the period from October 1, 2023 to April 1, 2024. According to the said INGL notice, the said event constitutes *force majeure* as defined in the transmission agreement between the parties. In response to the notice, Chevron approached INGL with a request for additional details and stated that according to the details held thereby, the said event should not be deemed as *force majeure*.

- On February 23, 2021, NewMed Energy reported that the partners in the Tamar reservoir had signed an agreement intended to allow each one of them separate marketing of its proportionate share in the natural gas produced from the Tamar reservoir, without derogating from the possibility of joint marketing of the gas produced from the reservoir (the "**Separate Marketing Agreement**"). The agreement determined mechanisms for compensation in money or in gas in cases where one of the partners chooses to increase the daily gas output over and above its proportionate share in the daily output, on account of its partner which is not using its full proportionate share in the daily output. On May 26, 2021, the Partnership reported that on May 11, 2021, the Separate Marketing Agreement took effect. To the best of the Partnership's knowledge, up to this date no sale was made separately by the Tamar partners.

- On December 9, 2021, the Partnership closed the sale of its interests at a rate of 22% in the I/13 Dalit and I/12 Tamar leases to a group of investors headed by Mubadala Petroleum (Tamar Investment 1 RSC Limited and Tamar Investment 2 RSC Limited), in consideration for approx. $1.0 billion. The Partnership thus completed fulfillment of all of the conditions determined for the granting of the Exemption (as defined in Section 4.3 above), as determined in the Gas Framework of December 17, 2015.

- On December 20, 2021, the Tamar partners reported the signing of an amendment to the gas supply agreement between Dalia and the Tamar partners, with the exception of Tamar Investment 1 RSC Limited and Tamar Investment 2 RSC Limited (the "**Remaining Tamar Partners**"). The amendment mainly concerns the extension of the term of the agreement by three years, such that it expire on July 8, 2035 (rather than July 8, 2032), and reduction of the minimum annual gas quantity charged ("Take or Pay") that is specified in the agreement. Furthermore, Dalia will undertake to buy an additional minimal daily quantity of gas that is required for its operations according to its needs, subject to the deductions specified in the agreement. The price for a daily gas quantity and the price linkage mechanism shall remain as provided by the original agreement. The gas price for the additional daily gas quantity that Dalia will buy over and above the minimal quantity shall be lower than the gas price for the minimal quantity and primarily linked to the Electricity Production Tariff, as determined from time to time by the Electricity Authority. The entry of the amendment to the agreement into effect is subject to the satisfaction of several conditions precedent[36]. On February 28, 2022, the partners reported the satisfaction of the condition precedent of the Remaining Tamar Partners joining the amendment to the agreement[37]. On July 24, 2022, all of the conditions precedent were satisfied and the agreement took effect. The amendment to this agreement was signed concurrently with the termination of the sale agreement between Dalia and Energean for the supply of 0.2 BCM of natural gas per year from the Karish reservoir (for details, see Section 4.6.2).

- On January 24, 2022, the partners in the Tamar reservoir reported the signing of an amendment to the 2012 IEC-Tamar Agreement[38], whereby the gas price by which the IEC is bound in 2021 under the IEC-Tamar agreement of 2012 will be reduced by a rate several percent higher than the rate of the maximum reduction determined in the reduction mechanisms in this agreement for that year and for subsequent years. It was also determined that the parties to the agreement will reserve the right to a price adjustment (10% up or down) on January 1, 2025 (instead of July 1, 2024 in the 2012 IEC-Tamar Agreement)[39]. In addition, the term of the 2012 IEC-Tamar Agreement was extended by another 2.5 years, such that this agreement will end on December 31, 2030 (the "**Date of Conclusion of the Amended Agreement**"). The gas price in the 2012 IEC-Tamar Agreement after the reduction determined in 2021 will be linked to the U.S. Consumer Price Index (the "**U.S. CPI**"), as follows:

  - An increase of up to 2.25% will be taken into account in full.
  - An increase of between 2.25% and 3.75% will not be taken into account in the relevant year, and may accrue and be taken into account in subsequent years only insofar as the rate of the rise in the U.S. CPI therein is less than 2.25%, and in any event the linkage in such years shall not exceed 2.25%.
  - An increase of over 3.75% will be taken into account in full (the portion exceeding 3.75%).
  - 1% per annum will be deducted from the above weighted linkage rate.

  The IEC also undertook to purchase an additional 16 BCM (over and above the quantity to which it committed in the 2012 IEC-Tamar Agreement) until the Date of Conclusion of the Amended Agreement (in accordance with its operational needs). Insofar as the IEC does not consume the total natural gas quantity to which it committed until such date, the agreement will automatically be extended until consumption of the full natural gas

[36] https://maya.tase.co.il/reports/details/1419083/2/0.
[37] https://maya.tase.co.il/reports/details/1433483/2/0.
[38] https://maya.tase.co.il/reports/details/1427402/2/0.
[39] In the IEC-Tamar agreement of 2012, the Parties determined two dates on which each party may request adjustment of the purchase price, July 1, 2021 and December 31, 2024. According to the mechanism determined, the IEC may request a price adjustment of up to 25% on the first date and up to 10% on the second date.

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quantity. The price per unit of heat (MMBTU) for this additional quantity was determined in the agreement at approx. $4, without linkage and without rights to adjustments in the future. On July 24, 2022, the agreement took effect after the satisfaction of all conditions precedent.

- On May 1, 2022, Alon Gas Energy Development Ltd. ("**Alon Gas**"), that holds approx. 4% of the Tamar reservoir, announced that its controlling shareholder, "Alon", Israeli Fuel Company Ltd., engaged in an agreement for the sale of its entire holdings in Alon Gas, which constitute approx. 79.56% of the company's shares, to Noy Reserves Limited Partnership for a consideration of approx. ILS 395 million.

- On December 21, 2022, Mr. Aaron Frenkel, through a company he owns, bought Tamar Investment 2, which had been owned by a group from Abu Dhabi and holds approx. 11% of the Tamar reservoir, in consideration for approx. $0.5 billion.

- On January 19, 2023, Tomer Energy Royalties (2012) Ltd. (“**Tomer Energy**”) reported that its controlling shareholder, Essence Partners Ltd. (“**Essence**”), had entered a transaction with the Noy Fund for joint control of Alon Gas and conversion thereof into a private company. In consideration for joint control and a post-transaction holding rate of approx. 29.4% in Alon Gas, Essence will pay approx. ILS 47.2 million and transfer its holdings in Tomer Energy (approx. 50.8%) to Alon Gas. On February 9, 2023, Alon Gas became a private company and was delisted from the trade on TASE. On March 8, 2023, Tomer Energy reported that the transaction received the approval of the Competition Commissioner. As of the date of the Paper, the conditions precedent for the closing of the transaction are yet to be fully satisfied.

4.6.2 “Karish and Tanin” leases

- **Adoption of an investment decision** – On March 27, 2018, Energean notified the Partnership of the adoption of an investment decision for the development of the Karish reservoir, and in March 2018, March 2019, March 2020 and March 2021 it paid the Partnership the first, second, third and fourth payments in the sum of $10.85 million, $15.34 million, $14.84 million and $14.34 million, respectively.

- **Listing of Energean on the Israeli stock exchange** – On October 29, 2018, trading of Energean’s parent company, Energean Oil & Gas plc, was launched on the Tel Aviv Stock Exchange as a cross-listed company whose shares are additionally also premium-listed on the London Stock Exchange.

- **Commencement of manufacture of Energean’s floating production facility** – On November 27, 2018, Energean announced commencement of manufacture, in China, of the floating platform (FPSO) that is due to be used by the Karish and Tanin reservoirs. The platform is intended to treat the natural gas to be produced at the Karish-Tanin project in Israel's EEZ. The process of production and treatment of gas will be carried out at the wellhead, at a distance of approx. 90 km from the shore.

- **Signing of an agreement for the construction and delivery of the eastern section of the infrastructure for gas transmission from the leases** – On June 25, 2019, Energean announced that it signed an agreement with INGL, whereby it would build and transfer to INGL the eastern section of the gas infrastructure, which includes an offshore section approx. 10 km off the coast and an onshore section. In consideration therefor, INGL will pay Energean approx. ILS 369 million.

- **Signing of agreements for the sale of natural gas to the Alon Tavor power plant**– On November 21, 2019, Rapac Energy Ltd. reported that MRC Group, the winner of IEC's tender for the purchase of the Alon Tavor power plant, engaged in an agreement with Energean for the supply of natural gas in an annual amount of approx. 0.5 BCM for a period of 15 yeas (and in total up to 8 BCM). On December 17, 2020, Energean reported that it had engaged with Rapac Energy Ltd. in an additional agreement for supply of natural gas in an average annual amount of approx. 0.4 BCM for a period of 6 to 15 years, in addition to the existing signed agreements between Energean and Rapac Energy.

- **The signing of an MOU between Energean and Greece's gas transmission corporation (DEPA) for the sale of natural gas** – Ahead of the expected signing of the East Med Pipeline agreement by the governments and Energy Ministers of Cyprus, Greece and Israel, on January 2, 2020, Energean signed an MOU with DEPA for the possible sale of up to 2 BCM of natural gas per year from the reservoirs held by the company in Israel, the gas from which will be produced through the FPSO rig.

- **The dispute between Energean and NewMed Energy in connection with the entitlement to receipt of royalties from the reservoirs** – Further to Energean's report of April 9, 2020, regarding an update of the scope of the resources in the "Karish North" well, in April 2020, Energean and the Partnership exchanged letters in connection with the Partnership's entitlement to receive royalties from the leases. Energean claims, *inter alia*, that its undertaking to pay royalties does not apply with respect to hydrocarbons from the "Karish North" well, and in addition that not all the hydrocarbon liquids produced from the Karish lease meet the definition of condensate under the agreement for the sale of the Partnership's interests in the leases. It is the Partnership's position, based on legal and professional advice received, that according to the agreement for the sale of the Partnership's interests in the leases, the royalty documents and the registration in the Petroleum Register, Energean's obligation to pay royalties applies with respect to natural gas and condensate produced from the Karish lease, including from the "Karish North" well, and that the hydrocarbon liquids to be produced from the leases constitute condensate, as defined in the agreement.

- **Sale of the overriding royalties of Delek Group and Delek Energy to the Noy Fund** – On May 25, 2020, Delek Group and Delek Energy, a subsidiary of Delek Group, engaged with the Noy Fund in an agreement for the sale of their rights to overriding royalties from the Karish and Tanin leases. In consideration, the Noy Fund paid the sum of ILS 318 million, which was divided between Delek Group and Delek Energy according to their proportionate share in the royalties that were sold (25% and 75%, respectively).

- **Signing of an agreement for the sale of natural gas with Ramat Hovav partnership** – On September 16, 2020, Energean reported its engagement in agreements for the supply of natural gas from the Karish reservoir with the Ramat Hovav partnership (Edeltech and Shikun & Binui). According to the agreements, Energean will sell the Ramat Hovav partnership natural gas from the date of commencement of natural gas flow from the Karish field, at an annual quantity of approx. 1.4 BCM. The agreements include provisions on a floor price and a Take-or-Pay mechanism and are expected to generate for Energean approx. $2.5 billion throughout the life of the contracts. According to the first agreement, which will be valid until expiration of 20 years from the date of the engagement therein, the main quantity sold in the context of the agreements is for the Ramat Hovav power station. Under another agreement, the rest of the gas will be supplied to other power stations held by the owners of the Ramat Hovav partnership – for a period of up to 15 years.

- **Agreement for the acquisition of all of the holdings in Energean Israel** – On December 30, 2020, Energean reported that it had signed an agreement for the acquisition of the remaining 30% of the issued and paid-up share capital of Energean Israel Ltd. ("**Energean Israel**") from Kerogen Investments No. 38 Ltd. ("**Kerogen Fund**"). In consideration for the holdings of Kerogen Fund in Energean Israel, Energean will pay an amount ranging between $380 million and $405 million. On February 25, 2021, Energean reported the closing of the transaction, and commencing from such date, Energean holds 100% of the issued and paid-up share capital of Energean Israel.

- **Final investment decision (FID) in the "Karish North" reservoir** – On January 14, 2021, Energean reported on the adoption of a final investment decision (FID) in the 'Karish North' reservoir in the sum of approx. $150 million. Energean estimates that the IRR of the project will be approx. 40%, and that natural gas will be produced from this reservoir for the first time in H2/2023.

- **$700 million loan from the banks J.P. Morgan and Morgan Stanley** – On January 14, 2021, Energean reported that it had signed a loan agreement with the banks J.P. Morgan and

Morgan Stanley in the sum of $700 million for a period of 18 months. The interest on the loan will be 5.75% and will rise by 0.25% every three months up to a maximum interest rate of 7%. The loan will be used, *inter alia*, for the financing of development of the 'Karish North' reservoir; for financing the transaction for the acquisition of the holdings of Kerogen Fund in Energean Israel; for additional investments in the Karish reservoir; and for the financing of another exploration campaign of the company in early 2022. Concurrently, Energean reached agreements with its existing lenders for the financing of the development of the Karish reservoir regarding the refinancing of a loan in the sum of $1.45 billion such that its maturity date will be postponed by 9 months from December 2021 to September 2022.

- On March 24, 2021, Energean announced the completion of the issue of four series of preferred secured bonds, for a total sum of approx. $2.5 billion ($625 million each) with a duration of 3, 5, 7 and 10 years at interest rates of 4.500%, 4.875%, 5.375% and 5.875%, respectively (in this section: the "**Secured Bonds**"). The Secured Bonds were rated BB (international) by the rating agency S&P and are traded on TASE UP (formerly TACT-Institutional).

- On June 28, 2021, Energean reported that Energean Israel signed a drilling agreement with Stena Drilling Limited as part of the plan for drilling and development of its reservoirs in Israel for the years 2022-2023. The planned drilling will be performed in 2022 in the Karish, Karish North and Block 12 reservoirs (drilling may be carried out at two more sites).

- On November 3, 2021, Energean reported the receipt of a letter on immediate termination of a contract for sale of natural gas in the volume of approx. 0.8 BCM per year that was previously signed between the company and Dalia Energy Companies Ltd. ("**Dalia**"). On May 15, 2022, Dalia reported that, upon conclusion of an arbitration proceeding, Energean and Dalia had signed an agreement for immediate termination of the above sale agreement with neither party being awarded damages.

- On November 11, 2021, Energean announced its intention to issue, on November 18, 2021, several series of secured senior bonds in a total sum of $450 million, due to mature on April 30, 2027. The annual interest rate of these series is 6.50%, to be paid in semi-annual installments on April 30 and October 30 of each year. Starting from January 7, 2022, the above-mentioned bonds are traded on TISE (the International Stock Exchange). According to the report, Energean intends to use such sum to repay all of its liabilities related to the reservoirs in Egypt and Greece, to repay deferred debt, to pay fees and other expenses related to the offering and for general purposes of the company.

- On December 13, 2021, Energean reported that it had signed an agreement with Kanfa AS for the construction of a second Oil Train Module (OTM) for the Karish reservoir. The construction of the additional OTM will allow for increase of the hydrocarbon liquids output of the FPSO platform from 18 KBO per day to 32 KBO per day. The OTM is expected to be connected during H2/2023.

- **A natural gas sale SPOT agreement signed with IEC** – On March 14, 2022, Energean reported that it had entered into a SPOT agreement with IEC for supply of natural gas from the Karish reservoir (the "**SPOT Agreement**"). Under the SPOT Agreement, IEC has the right to purchase natural gas at a variable monthly price in quantities to be determined on a daily basis (without a commitment). The SPOT Agreement shall apply for one year from the date of production of first gas from the Karish reservoir, with extension options subject to both parties' consent.

- **Signing of an agreement for the sale of natural gas with Hagit East Power Plant partnership** – On May 3, 2022, Energean reported its engagement in agreements for the supply of natural gas from the Karish reservoir with the Hagit East Power Plant partnership (Edeltech and Shikun & Binui Energy). According to the agreements, Energean will sell the Hagit East Power Plant partnership natural gas from the date of commencement of first gas production from the Karish field, in an annual quantity of up to approx. 0.8 BCM. The agreements include provisions on a floor price, Take-or-Pay mechanism and linkages (with no linkage to the Brent price), and are expected to generate for Energean up to approx. $2.0 billion throughout the life of the contracts. The total natural gas sold under the agreement is expected to be up to approx. 12 BCM over a period of about 15 years. The agreement is subject to the closing of the acquisition of the plant by Edeltech and Shikun & Binui Energy. On June 1, 2022, IEC reported that the process for sale of the plant to Edeltech and Shikun & Binui Energy had been closed.

- On May 3, 2022, Energean reported that the FPSO had departed and was sailing from Singapore towards Israel. On June 6, 2022, Energean reported that the FPSO had reached its destination.

- On October 9, Energean reported the piping of natural gas from the shore to the FPSO platform via the gas transmission systems as part of the tests and the trial run of the systems conducted by the company in preparation for the commencement of natural gas production from the Karish reservoir.

- On October 26, 2022, Energean reported initial natural gas production from the Karish reservoir and on October 28, 2022, it began selling natural gas to its customers. The gas production system has an annual production capacity of up to approx. 6.5 BCM, while at the end of 2023, Energean is expected to complete the installation of additional system components which will make it possible to increase the production capacity from the reservoir to up to approx. 8.0 BCM per annum. In Energean's estimation, commercial gas sales are expected to reach an annual production level of approx. 6.5 BCM within around four to six months from the date of the initial gas production.

- On November 17, 2022, Energean reported that it had signed a sale agreement with Vitol SA for initial marketing of deliveries of hydrocarbon liquids. On February 14, 2023, the company supplied a first delivery of hydrocarbon liquids from the Karish reservoir according to the aforementioned agreement. Energean also reported that commencement of production from the Karish North reservoir is expected at the end of 2023 (in lieu of H2/2023 in previous reports).

- On January 19, 2023, Energean reported that in 2022 it produced approx. 0.28 BCM of natural gas from the Karish reservoir. In addition, Energean is predicting that the production rate in 2023 will be between approx. 4.5 BCM based on take-or-pay contracts, and 5.5 BCM based on total annual contract quantity. The company mentioned that these quantities do not take into consideration sales based on the SPOT agreement with IEC in 2023. On March 23, 2023, the company updated that it meets the target of producing between 4.5 and 5.5 BCM in 2023.

- **Update of the volume of resources attributable to the Karish, Karish North and Tanin reservoirs** – On March 23, 2023, Energean released a resource and reserve report as of December 31, 2021, prepared by the resource estimation firm DeGolyer and MacNaughton, whereby the Karish, Karish North and Tanin reservoirs (in this section: the "**Reservoirs**") have reserves of natural gas and hydrocarbon liquids (2P) of approx. 99.6 BCM and approx. 95.6 million barrels, respectively.[40] Energean has postponed the estimated date of commencement of production from the Tanin reservoir to 2030 (rather than 2028). Furthermore, Energean released its forecasts with respect to the rate of production of the natural gas and hydrocarbon liquids from each one of the Reservoirs, as well as forecasts pertaining to the amounts of the capital investments, royalties, taxes and operating costs of the Reservoirs.

[40] https://www.energean.com/media/5400/dm-final-report-energean-israel-2022ye.pdf

5. Valuation of Royalties

5.1 Methodology

According to IFRS 3, contingent consideration is defined as: "…*an obligation of the acquirer to transfer additional assets or equity interests to the former owners of an acquiree as part of the exchange for control of the acquiree if specified future events occur or conditions are met."*

As specified in Chapter 4 above, the consideration to which the Partnership is entitled includes a possibility of receiving future proceeds, in addition to the amounts to be received in cash ($40 million), which are contingent upon the occurrence of future events as specified below:

i. Consideration in the amount of $108.5 million which will be paid to the Sellers in ten equal annual payments plus interest commencing on the date on which the Buyer shall have made a final investment decision (FID) or the Buyer shall have invested in the development of the reservoir an aggregate sum exceeding $150 million (the "**Investment Decision**"), whichever is earlier. Therefore, this consideration component is similar in its nature to a financial debt of the Buyer to the Sellers, which is contingent upon the development of the leases, whether by an FID or the actual performance of the investment. On March 27, 2018, as aforesaid, Energean notified the Partnership of the adoption of an Investment Decision for the development of the Karish reservoir, and therefore the Debt Component is defined as deferred consideration.
In view of the bond offering, during May-June 2021, letters were exchanged between Energean and the Partnership in connection with the Partnership's demand for payment of the balance of the consideration for the Debt Component in a single and immediate payment, in accordance with the terms and conditions of the agreement for the sale of the interests in Karish and Tanin. As of the date of the Paper, the Partnership's position has not yet been accepted by Energean, and we are unable to estimate the likelihood of Energean's granting this demand and/or the outcome of a legal proceeding, insofar as conducted. Consequently, no assessment was made herein of a Debt Component prepayment scenario.

ii. Royalties from revenues (net of existing royalties[41]) which will be paid to the Sellers at rates of 7.5% before the Levy and 8.25% after the Levy. Therefore, the Royalties are also contingent upon the development of the leases and the ability of the Buyer to produce revenues from natural gas and condensate from the reservoirs.

[41] The Sold Interests were transferred to the Buyer together with the existing overriding royalties in the leases borne by each of the Sellers, with respect to their original share (26.4705%).

According to the characteristics of the consideration components specified above, the value of the Royalties in the transaction for the sale of Karish and Tanin leases is assessed through the Discounted Cash Flow method, while adjusting the cap rates to the risks involved in the completion of the development of the reservoirs and the cash flow.

5.2 Working assumptions

5.2.1 General

The main working assumptions as specified below are based primarily on a resource and reserve report as of December 31, 2022, prepared by the consulting firm DeGolyer and MacNaughton, a competent resource appraiser ("**D&M CPR**"), released by Energean on March 23, 2023, with adjustments as specified below, and on the analysis of market data and releases of public companies in the oil and gas sector. **It is emphasized that the assumptions and information specified below, including with respect to forecasts and the main commercial conditions in the agreement for the sale of the reservoirs, as well as regarding the types of the hydrocarbon liquids which will be produced from the reservoirs and in respect of which royalties will be paid to the Partnership, constitute forward-looking information in the meaning thereof in the Securities Law, 5728-1968, which there is no certainty of the materialization thereof, in whole or in part, in the said manner or in any other manner**.

5.2.2 Timetable

According to Energean's aforementioned reports, first gas production began in Q4/2022. It was further reported that the production well in the Karish North reservoir was drilled and completed during Q3/2022, and first gas from the reservoir is expected at the end of 2023. According to these reports, production from the Tanin lease is expected to begin in 2030.

In the context of the valuation, it was assumed that the production of gas from the Karish North and Tanin reservoirs will begin in Q1/2024 and Q1/2030, respectively. It was further assumed that the natural gas reserves in the Karish, Karish North and Tanin reservoirs would be depleted in 2042, 2042 and 2041, respectively, based on assumptions presented in the D&M CPR.

5.2.3 Quantity forecast and annual production rate

Below is a specification of the quantities of natural gas and hydrocarbon liquids (condensate and natural gas liquids) in the Karish and Tanin leases (100%) as published in the D&M CPR:

Reservoir	Reserves and Resources	
	Natural Gas (BCM)	Hydrocarbon Liquids (MMBBL)
	2P	2P
Karish	39.4	54.2
Karish North	34.2	36.9
Tanin	26.1	4.5
Total	**99.6**	**95.6**

In Q1/2023, Energean transferred payments to the Partnership for the overriding royalties to which the Partnership is entitled under the agreement described above. It is noted that in the context of the reports received from Energean, it does not provide the Partnership with details regarding the production quantities. Based on such payments, the Partnership estimates that during this period Energean produced approx. 0.76 BCM of natural gas and approx. 0.63 million barrels of hydrocarbon liquids from the Karish reservoir. With no other source of information to assess the total production in Q1/2023, we reduced the resources and reserves balance in the Karish reservoir, as specified in the D&M CPR, in accordance with the Partnership's evaluation.

According to the D&M CPR, Energean estimates that it is expected to sell at a maximum production rate of up to approx. 7.3 BCM per year throughout the years of the forecast, of which approx. 75% are within the Take-or-Pay mechanisms included in the agreements with its customers.

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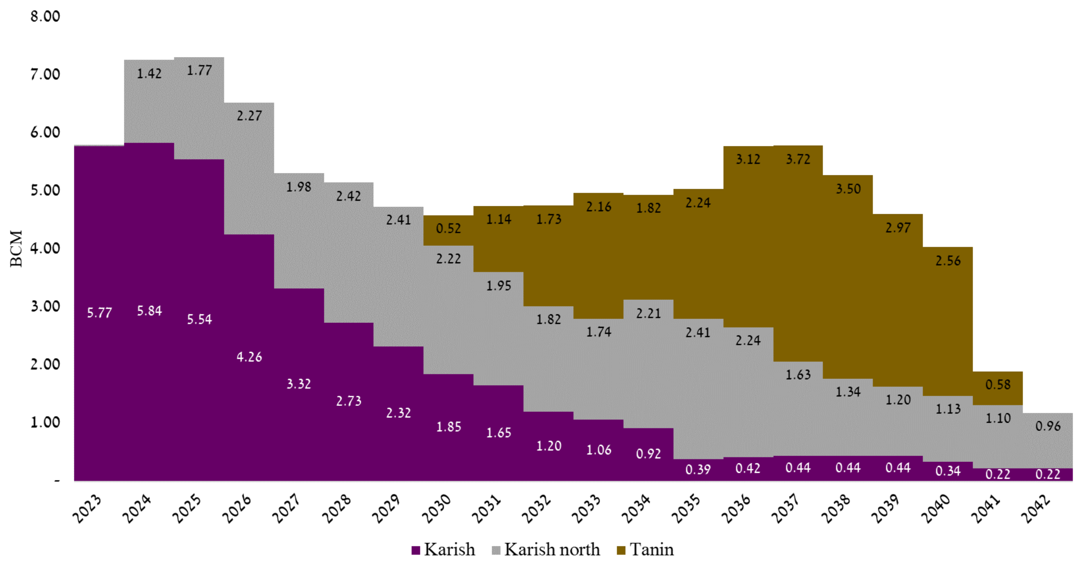
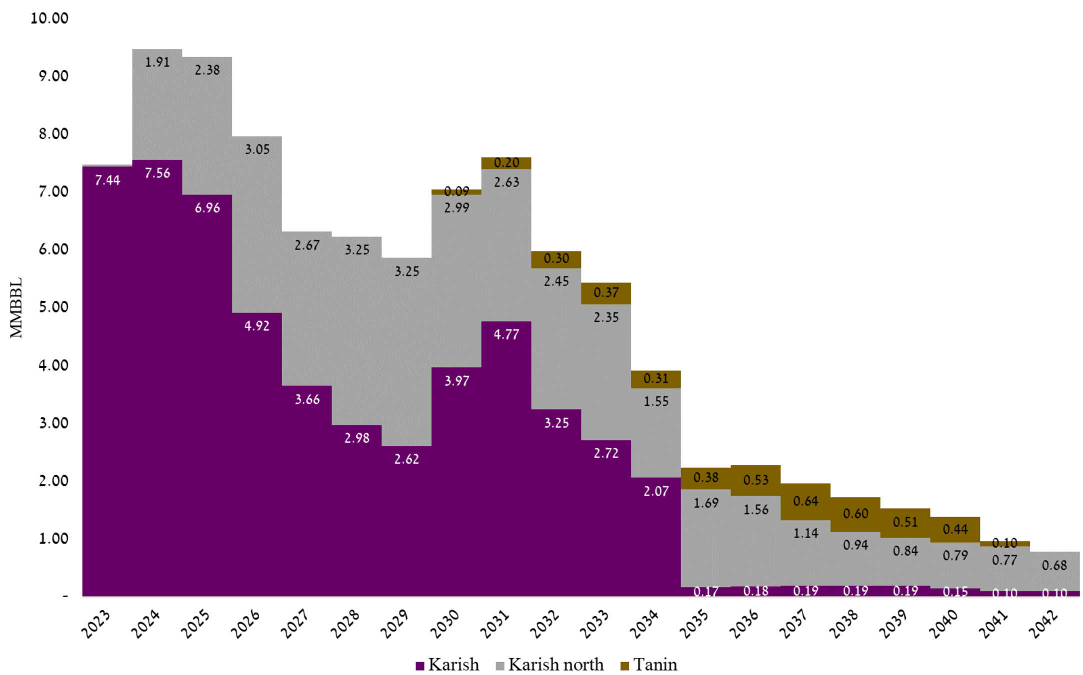
The chart below describes the production rate of natural gas from the reservoirs according to the D&M CPR (2P reserves):



The chart below describes the production rate of hydrocarbon liquids (condensate and natural gas liquids) from the reservoirs according to the D&M CPR (2P reserves):



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The forecasted annual pace of production of natural gas and condensate used in the valuation was based on the pace of production specified in the D&M CPR, which in our estimation reflects the likely scenario considering the public information available in relation to the contracts that have been signed, the extent of the demand and the expected competition in the domestic market (for a detailed forecast of the annual production rate of natural gas and condensate, see Annex A). In addition, an adjustment was made to the natural gas production rate in 2023 in accordance with the various reports of Energean that pertain to the forecasted production from the reservoirs, which were released in proximity to the publication of the D&M CPR. The remaining quantity that was reduced in the production rate in 2023 was spread out over the next years. These reports include forecasts which are based on a ramp-up in the pace of production, the feasibility and likelihood of occurrence of which we cannot assess in the absence of further publicly-available information. As of the date of this Paper, such reports are the only source for Energean's forecasts of the expected pace of production from the reservoirs.
In addition, according to the D&M CPR, a conversion factor of 37.2 million MMBTU to 1 BCM was assumed.

5.2.4 Natural gas prices forecast

The natural gas prices forecast relied on the following assumptions:

- The base price in the contracts under which the valuation was carried was estimated through the formulas specified in the price mechanism between Energean and ICL and ORL and between Energean and OPC, as well as in consideration of the price of the gas in the contract with Ramat Hovav power station and the parameters specified below:
  i. **The Production Component Tariff**: as of the Valuation Date, the production component tariff is 30.39 Agorot (March 2023). Throughout the other forecast years, it was assumed that the production component tariff would change according to the IEC's expected expenses in respect of electricity production, which are affected, *inter alia*, by the prices of natural gas, coal, changes in exchange rate (ILS/$), conversion of the coal-fired power plants to use of natural gas, construction of additional natural gas-fired power plants by the IEC, the sale of power plants to IPPs and other production costs. According to our forecasts, the production component tariff is expected to range between approx. 24.22-31.18 Agorot throughout 2023-2037.
  ii. **ICL and ORL** – **floor** price of U.S. $3.975 per MMBTU according to an agreement between the company and ICL and ORL.
  iii. **OPC** – floor price of U.S. $3.975 per MMBTU when the production component is larger or equal to 26.4 Agorot, and a floor price of U.S. $3.8 per MMBTU when the production component is lower than 26.4 according to an agreement between the company and OPC.
  iv. **Ramat Hovav** – fixed price of U.S. $3.95 per MMBTU.

- It was assumed that a gas amount of 1.0 BCM shall be regularly supplied to the Ramat Hovav power plant and that the remaining gas amount which will be sold will be equally distributed between IPPs (such as the contract with OPC) and industrial producers (such as the contracts with ICL and ORL).

Note that for the base scenario and the low scenario, the D&M CPR assumed natural gas price of approx. U.S. $4.34 per MMBTU for 2023, and a fixed natural gas price of approx. U.S. $4.04 per MMBTU starting from 2024 and throughout all the years of the forecast.

5.2.5 Condensate price forecast

The condensate price forecast was estimated based on the average long-term petroleum prices forecast by the World Bank[42], the EAI[43], and the forward Brent prices according to Bloomberg.

Note that the base scenario in the D&M CPR assumed a condensate price of approx. U.S. $80 per barrel in 2023 (before distribution fees in the sum of approx. $10 per barrel, such fees will apply only in 2023) and approx. U.S. $70 per barrel starting from 2024 and throughout all the years of the forecast (fixed).

5.2.6 Royalty rate

The rate of the royalties to be paid to the State was set, according to the Petroleum Law, at 12.5% of the value of the gas at the wellhead[44]. The actual royalties' rate is lower as a result of deduction of expenses for the transmission systems and the treatment of the gas up to the gas delivery point on shore. According to the Partnership's clarifications, the effective royalty rate which will be paid to the State for the gas and condensate is 11.25%. Furthermore, the rate of the existing royalties in the leases, borne by each of the Partnerships, were similarly adjusted.

5.2.7 Petroleum profit levy

The Petroleum Profits Levy is a progressive levy which is set according to a mechanism which connects the rate of the levy to the ratio of the net accrued revenues from the petroleum and gas production project and the total accrued investments for the exploration and initial

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[42] A World Bank Semi-Annual Report: Commodity Markets Outlook, October 2022.

[43] U.S Energy Information Administration: Analysis & Projections , April 2023.

[44] On February 9, 2020, the Ministry of Energy released for public comment directives on the method of calculation of the value of the royalty at the wellhead in connection with offshore petroleum rights. For further details see: https://www.gov.il/he/departments/publications/Call_for_bids/os_090220

development of the reservoir (the "**Investment Coverage Ratio**"). The minimal levy at a rate of 20% will be charged when the Investment Coverage Ratio will reach 1.5 and rise gradually to a rate of 50% (according to the corporate tax rate[45]) with the Investment Coverage Ratio reaching 2.3. The levy will be calculated and imposed for every lease separately.

Within the cash flow forecast for the Royalties, we deducted the levy from the net royalties (after offsetting the existing royalties) which will be received by the Partnership from each lease, based on the rate of the levy calculated in the financial model of each of the leases.

5.2.8 Royalties cap rate

The cap rate (before tax) was estimated at approx. 11.0% based on a weighted average of the required return on equity which was estimated using the CAPM model, the normative debt price and net of the operational risk, as specified in the table below:

Parameter	Value	Note
Risk-free interest	3.67%	A
Beta	1.18	B
Market premium	7.16%	C
Specific risk premium	6.6%	D
The company's equity price	**18.7%**	
Debt price	8.7%	E
Tax rate	0.0%	F
Leverage ratio	60%	G
Weighted equity price	**12.7%**	
Net of royalties risk	-1.70%	H
Weighted equity price net of royalties risk	**11.0%**	

Below are the working assumptions that were used in the calculation of the cap rate:

a. U.S. government bond yield for the average duration of the cash flow (4.37 years).

b. Based on an average of unleveraged betas of benchmark companies, as specified in the table below:

Company	Unleveraged Beta
Isramco Negev 2, Limited Partnership	0.52
Ratio Energies Limited Partnership	0.71
Tamar Petroleum Ltd.	0.19
Tomer Energy Royalties (2012) Ltd.	0.26
NewMed Energy Limited Partnership	0.67
Benchmark company average	**0.47**

[45] Corporate tax of 23% was assumed according to the statutory tax rate known as of the Valuation Date.

The leveraged beta was estimated based on the average beta of the benchmark companies above and the normative leverage ratio, without tax (see Note F).

c. The market risk premium in Israel (Damodaran January 2023).

d. Size risk premium according to Duff & Phelps International Valuation Handbook 2023, plus a specific risk premium for the risk level inherent in forecasts, the fluctuation in petroleum prices and the competition in the domestic market.

e. The debt price was estimated based on the yield of the bonds issued by Energean on November 18, 2021. The average duration of the cash flow (4.37) is similar to the average duration of the bonds (3.55) and therefore, in our estimation, they represent the normative debt price of the company for the average duration of the cash flow.

f. The valuation model is a pre-tax model and therefore no tax was taken into account in the cap rate.
g. The average leverage ratio of the benchmark companies (in Section 2 above), as of March 31, 2023, was estimated at approx. 44.0%. In our estimation, the normative leverage ratio for the long-term is 60.0%

h. The cap rate of 12.7%, which was estimated using the CAPM model (the "**Operating Cap Rate**"), includes many operational risks to which the recipient of the overriding royalties is not exposed. In our experience, the Operating Cap Rate is 1.5% to 2.0% higher than the cap rate for the royalties. Consequently, we deducted approx. 1.7% from the risk rate produced by the model.

5.3 Results of the valuation

According to the assumptions specified in the Paper itself, the value of the Royalties as of March 31, 2023 is estimated at approx. $324.9 million (the value of the Karish Royalties (including Karish North) and the Tanin Royalties are estimated at approx. $281.7 million and approx. $43.2 million, respectively). **To clarify, the valuation does not address the disputes, if any, between Energean and the Partnership, and the implications thereof** (for further details, see Section 4.6.2 above).

5.4 Sensitivity analyses

Following is an analysis of the sensitivity of the royalties' value to changes in the cap rate and to changes in the natural gas prices, in millions of U.S. $:

Change in Cap Rates (in Base Points)		Change in the Natural Gas Price Vector (U.S. $ per MMBTU)						
		-1.50	-1.00	-0.50	-	0.50	1.00	1.50
	+250 bp	257.1	280.3	272.2	296.1	312.5	328.5	342.0
	+150 bp	266.5	290.3	282.2	306.9	323.7	340.3	354.1
	+50 bp	276.7	301.3	293.1	318.7	335.9	353.1	367.2
	-	282.2	307.1	298.9	**324.9**	342.4	359.9	374.2
	-50 bp	287.8	313.1	304.9	331.5	349.2	367.0	381.5
	-150 bp	300.0	326.0	317.9	345.5	363.7	382.2	397.2
	-250 bp	313.3	340.2	332.0	360.8	379.5	398.9	414.2

Following is an analysis of the sensitivity of the royalties' value to changes in the cap rate and to changes in the annual production quantity, in millions of U.S. $:

Change in Cap Rates (in Base Points)		Change in the Annual Production Rate of Natural Gas (BCM)						
							276.7	
		-1.00	-0.50	-0.25	-	0.25	0.50	1.00
	+250 bp	266.4	278.9	291.7	296.1	299.9	305.4	314.0
	+150 bp	276.7	289.5	302.5	306.9	310.6	316.1	324.6
	+50 bp	288.0	301.0	314.3	318.7	322.1	327.6	336.2
	-	294.1	307.1	320.5	**324.9**	328.2	333.7	342.3
	-50 bp	300.4	313.6	327.1	331.5	334.6	340.1	348.6
	-150 bp	314.1	327.3	341.2	345.5	348.3	353.8	362.2
	-250 bp	329.1	342.5	356.6	360.8	363.2	368.6	376.9

Following is an analysis of the sensitivity of the royalties' value to changes in the cap rate and to changes in the condensate prices, in millions of U.S. $:

Change in Cap Rates (in Base Points)		Change in the Condensate Price Vector (U.S. $ per bbl)						
		-30.00	-20.00	-10.00	-	10.00	20.00	30.00
	+250 bp	275.6	267.6	278.9	296.1	308.2	318.2	328.5
	+150 bp	285.8	277.8	289.4	306.9	319.4	329.5	339.8
	+50 bp	297.0	289.0	300.7	318.7	331.5	341.8	352.2
	-	303.0	294.9	306.8	**324.9**	337.9	348.3	358.7
	-50 bp	309.2	301.1	313.1	331.5	344.6	355.2	365.6
	-150 bp	322.4	314.3	326.6	345.5	359.0	369.8	380.2
	-250 bp	337.0	328.9	341.4	360.8	374.7	385.7	396.1

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Annex A – Cash Flow Forecast

Year	Unit	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Production											
*Gas production - Karish**	bcm/y	3.74	7.26	7.31	6.52	5.30	5.15	4.74	4.07	3.61	3.02
Gas production - Tanin	bcm/y	-	-	-	-	-	-	-	0.52	1.14	1.73
*Condensate production - Karish**	bbl/y m	6.82	9.48	9.35	7.97	6.32	6.24	5.87	6.96	7.40	5.69
Condensate production - Tanin	bbl/y m	-	-	-	-	-	-	-	0.09	0.20	0.30
Prices											
Natural gas price	US$	4.19	4.31	4.06	4.01	4.00	4.02	4.03	3.97	3.97	3.97
Condensate Price	US$	85.37	78.98	72.48	69.85	67.68	65.99	64.35	62.74	61.18	59.65
Revenues											
*Karish - Revenues**											
Natural Gas Revenues	US$ MM	563.6	1,124.9	1,068.2	941.9	763.2	744.5	686.2	580.8	514.9	431.4
Condensate Revenues	US$ MM	582.1	748.5	677.3	556.7	427.8	411.5	377.5	436.7	453.0	339.6
Total Gross Revenues	US$ MM	1,145.7	1,873.3	1,745.5	1,498.7	1,191.1	1,156.0	1,063.7	1,017.4	967.9	771.0
Tanin - Revenues											
Natural Gas Revenues	US$ MM	-	-	-	-	-	-	-	74.6	163.1	247.1
Condensate Revenues	US$ MM	-	-	-	-	-	-	-	5.6	12.1	17.6
Total Gross Revenues	US$ MM	-	-	-	-	-	-	-	80.1	175.2	264.7
K&T - Total Gross Revenues	US$ MM	1,145.7	1,873.3	1,745.5	1,498.7	1,191.1	1,156.0	1,063.7	1,097.6	1,143.1	1,035.7
New-Med Energy - Transaction Revenues											
*Karish ORRI, Net**	US$ MM	52.8	86.3	49.2	43.1	32.4	28.3	23.8	18.8	14.9	11.9
Tanin ORRI Net	US$ MM	-	-	-	-	-	-	-	4.2	9.3	14.0
Transaction ORRI, Net*	US$ MM	**52.8**	**86.3**	**49.2**	**43.1**	**32.4**	**28.3**	**23.8**	**23.0**	**24.2**	**25.9**
Instalments	US$ MM	13.3	12.8	12.3	11.8	11.3	-	-	-	-	-
*Karish Discounted Transaction Revenues**	US$ MM	50.8	75.8	39.3	30.7	20.8	16.4	12.4	8.9	6.3	4.5
Tanin Discounted Transaction Revenues	US$ MM	-	-	-	-	-	-	-	2.0	3.9	5.3
Total Discounted Transaction Revenues	US$ MM	**50.8**	**75.8**	**39.3**	**30.7**	**20.8**	**16.4**	**12.4**	**10.8**	**10.2**	**9.9**

*Including Karish North

**Net of Existing ORRI net of Petroleum Tax

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Year	Unit	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042
Production											
*Gas production - Karish**	*bcm/y*	*2.80*	*3.13*	*3.05*	*2.91*	*2.32*	*2.03*	*1.89*	*1.73*	*1.29*	*0.98*
Gas production - Tanin	*bcm/y*	*2.16*	*1.82*	*2.24*	*3.12*	*3.72*	*3.50*	*2.97*	*2.56*	*0.58*	-
*Condensate production - Karish**	*bbl/y m*	*5.07*	*3.61*	*1.86*	*1.75*	*1.33*	*1.13*	*1.03*	*0.94*	*0.87*	*0.81*
Condensate production - Tanin	*bbl/y m*	*0.37*	*0.31*	*0.38*	*0.53*	*0.64*	*0.60*	*0.51*	*0.44*	*0.10*	-
Prices											
Natural gas price	*US$*	*3.97*	*3.97*	*3.90*	*3.90*	*3.90*	*3.90*	*3.89*	*3.89*	*3.89*	*3.89*
Condensate Price	*US$*	*58.17*	*56.72*	*55.30*	*53.92*	*52.58*	*51.27*	*49.99*	*48.74*	*47.53*	*46.34*
Revenues											
*Karish - Revenues**											
Natural Gas Revenues	*US$ MM*	*400.5*	*446.4*	*428.2*	*408.4*	*325.4*	*284.4*	*264.1*	*241.7*	*180.5*	*137.7*
Condensate Revenues	*US$ MM*	*294.6*	*204.9*	*102.8*	*94.3*	*70.0*	*57.8*	*51.5*	*46.0*	*41.4*	*37.7*
Total Gross Revenues	*US$ MM*	*695.1*	*651.3*	*531.0*	*502.6*	*395.5*	*342.2*	*315.6*	*287.7*	*221.9*	*175.5*
Tanin - Revenues											
Natural Gas Revenues	*US$ MM*	*308.7*	*259.3*	*313.9*	*437.8*	*521.5*	*491.3*	*415.3*	*358.6*	*81.0*	-
Condensate Revenues	*US$ MM*	*21.5*	*17.6*	*21.1*	*28.7*	*33.4*	*30.7*	*25.3*	*21.3*	*4.8*	-
Total Gross Revenues	*US$ MM*	*330.2*	*276.8*	*335.0*	*466.5*	*554.9*	*521.9*	*440.6*	*379.9*	*85.8*	-
K&T - Total Gross Revenues	*US$ MM*	*1,025.3*	*928.1*	*866.0*	*969.1*	*950.3*	*864.1*	*756.2*	*667.7*	*307.7*	*175.5*
New-Med Energy - Transaction Revenues											
*Karish ORRI, Net**	*US$ MM*	*10.7*	*10.0*	*8.2*	*7.8*	*6.1*	*5.3*	*4.9*	*4.4*	*3.4*	*2.7*
Tanin ORRI Net	*US$ MM*	*17.4*	*14.6*	*17.7*	*24.6*	*19.4*	*13.8*	*9.9*	*6.9*	*1.3*	-
Transaction ORRI, Net**	*US$ MM*	***28.2***	***24.7***	***25.9***	***32.4***	***25.5***	***19.1***	***14.7***	***11.3***	***4.7***	***2.7***
Instalments	*US$ MM*	-	-	-	-	-	-	-	-	-	-
*Karish Discounted Transaction Revenues**	*US$ MM*	*3.7*	*3.1*	*2.3*	*1.9*	*1.4*	*1.1*	*0.9*	*0.7*	*0.5*	*0.4*
Tanin Discounted Transaction Revenues	*US$ MM*	*6.0*	*4.5*	*4.9*	*6.2*	*4.4*	*2.8*	*1.8*	*1.1*	*0.2*	-
Total Discounted Transaction Revenues	*US$ MM*	***9.7***	***7.6***	***7.2***	***8.1***	***5.8***	***3.9***	***2.7***	***1.9***	***0.7***	***0.4***

*Including Karish North

**Net of Existing ORRI net of Petroleum Tax

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Definitions

NewMed Energy/the Partnership	NewMed Energy Limited Partnership
Avner	Avner Oil Exploration - Limited Partnership
Natural Gas	A gas mixture containing mainly Methane, used mainly for the production of electricity and as a source of energy for industry
The Buyer/Energean	Energean E&P Holdings Ltd. through Energean Israel Limited (Formerly Ocean Energean Oil and Gas Ltd.)
The Partnerships/Sellers	NewMed Energy and Avner
The Petroleum Law	The Petroleum Law, 5712-1952
The Gas Framework or **the Framework**	The resolution of the Israeli Government to create a framework for increasing the amount of natural gas produced from the Tamar natural gas field and the quick development of the Leviathan, Karish and Tanin natural gas fields as well as other gas fields
Chevron	Chevron Energy Mediterranean Ltd.
Condensate	Hydrocarbon liquid created during the production of natural gas, used as raw material for the production of fuels and constitutes a petroleum substitute
Petroleum Asset	A preliminary permit, license or lease by virtue of the Petroleum Law in Israel or a right of similar meaning granted by the entity authorized therefor outside Israel
BCM	Billion Cubic Meters
DCF	Discounted Cash Flows
FID	The adoption of a decision to invest in the development of the Karish and Tanin natural gas reservoirs
LNG	Liquefied Natural Gas
MMBTU	A Million BTU – an energy unit used as a basis for the determination of natural gas prices