

A large, multi-level offshore oil rig is shown at sea, illuminated with warm yellow lights. The rig's complex steel structure and various platforms are visible against a backdrop of a sunset sky with soft orange and purple hues. The water is dark blue with some whitecaps. The entire scene is framed by a large, semi-transparent white triangle that points towards the top right corner of the page.

**2024**  
**FINANCIAL**  
**STATEMENTS**  
**AS OF**  
**30.06.2024**



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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 2023 Periodic Report

#### of NewMed Energy – Limited Partnership (the "Partnership")<sup>1</sup>

#### 1. Section 4 of the Periodic Report – Distribution of Profits

On August 7 2024, the board of directors of the Partnership's general partner, NewMed Energy Management Ltd. (the "GP") approved, after adopting the recommendation of the GP's Financial Statements Review Committee, a profit distribution in the sum total of 65 million U.S. dollars ("\$\$"), with the record date for the distribution being 25 August 2024. The said profit distribution will be performed on 5 September 2024.

#### 2. Section 6.9 of the Periodic Report – Iron Swords War

Since the end of July 2024 and until the report approval date, there has been a serious escalation in the state of the war against the Hezbollah terrorist organization on the northern border of the State of Israel, and against Iran. Accordingly, in the event of materialization of a scenario of further major escalation or outbreak of a full-scale war on these fronts, this may have a material adverse effect on the Partnership, its business and assets, *inter alia*, as a result of the risk factors detailed in Section 7.29.1 of the Periodic Report.

#### 3. Section 7.2.5 of the Periodic Report - Plan for Development of the Leviathan Reservoir

- a. Further to Section 7.2.5(d) of the Periodic Report regarding in-principle applications from the partners in the Leviathan project to the Petroleum Commissioner at the Ministry of Energy and Infrastructure (the "**Commissioner**" and "**Ministry of Energy**", respectively), to approve an increase in the volume of export of the natural gas to be produced in Phase 1B of the development plan of the Leviathan project ("**Phase 1B**"), on 25 June 2024, the Commissioner's response to the aforesaid applications was received. For additional details, see the Partnership's immediate report dated 26 June 2024 (Ref. 2024-01-064795), the information appearing in which is incorporated herein by reference.
- b. Further to Sections 7.2.4 and 7.2.5 of the Periodic Report and Section 3(b) of the Q1 Report regarding, *inter alia*, approval of budgets in the overall amount of approx. \$75 million (100%) for the purpose of getting ready for the preparation of a Front-End Engineering Design ("**FEED**") for the expansion of the Leviathan reservoir's

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<sup>1</sup> 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 during Q2/2024 until shortly before the report approval date, on any matter that is required to be described in the Periodic Report (as defined below), other than updates included in the Q1/2024 report, as released on 26 May 2024 (Ref. no.: 2024-01-051442) (the "**Q1 Report**"). The update refers to the section numbers in Chapter A (Description of the Partnership's Business) of the 2023 Periodic Report, released on 19 March 2024 (Ref. no.: 2024-01-027798) (the "**Periodic Report**"), unless stated otherwise.

production system as part of promoting Phase 1B, on 31 July 2024, the partners in the Leviathan project adopted a decision regarding the preparation of a FEED and early procurement of long-lead items, in an additional budget of approx. \$429 million (100%, the Partnership's share approx. \$194.5 million). For additional details, see the Partnership's immediate report dated 1 August 2024 (Ref. 2024-01-081835), the information appearing in which is incorporated herein by reference.

Note that the partners in the Leviathan project continue to explore additional possibilities for construction of an FLNG facility, *inter alia*, in view of the possibility to expand production as aforesaid.

**4. Sections 7.3.6 and 7.3.11 of the Periodic Report - Plan for Development of the Aphrodite Reservoir**

Further to Section 4 of the Q1 Report regarding a letter received by the operator of the Aphrodite reservoir in the area of Block 12 in the EEZ of the Republic of Cyprus (in this section, the "**Operator**" and the "**Aphrodite Reservoir**") from the Minister of Energy in the Government of Cyprus (in this section, the "**Minister**") in relation to the original development plan of the Aphrodite Reservoir, pursuant to meetings held between the Operator and the Minister, on 11 June 2024, the Operator forwarded a letter to the Minister stating, *inter alia*, that it is preparing to submit an optimal development plan for the Aphrodite Reservoir in the upcoming months.

**5. Section 7.4.1 of the Periodic Report – Yam Tethys Project**

In July 2024, the operator of the Yam Tethys project (in this section, the "**Project**") notified the Project partners that the activity of decommissioning of the subsea facilities of the Project have ended, and that it intends to obtain the Commissioner's approval therefor.

**6. Section 7.6 of the Periodic Report – Boujdour License**

- a. Further to Section 7.6.1 of the Periodic Report regarding the Boujdour Atlantique exploration license located in the Atlantic Ocean off the shores of Morocco (the "**Boujdour License**" or the "**License**"), in July 2024 the License partners were informed that the Moroccan Ministry of Energy and Sustainable Development has given them the interests therein.
- b. Further to Section 7.6.3 of the Periodic Report regarding the actual and planned work plan for the Boujdour License, in July 2024 the License partners approved the 2024 budget in the amount of approx. \$25 million (100%).

**7. Section 7.7 of the Periodic Report – Zone I Licenses**

Further to Section 7.7.1 of the Periodic Report regarding the winning of the bid submitted by the Partnership and State Oil Company of Azerbaijan Republic and BP Exploration Operating Company Limited (in this section jointly, the "**Partners**") in the fourth competitive process for exploration of natural gas in the north-western area of the EEZ of the State of Israel, which entitles them to 6 exploration licenses in blocks no. 4, 5, 6, 7, 8 and 11 that are located in the Mediterranean Sea, in the area of the EEZ of the State



of Israel (the "**Zone I Licenses**"), the Partnership estimates that the process of issuance of the Zone I Licenses to the Partners may be completed in the upcoming weeks.

**8. Section 7.11.3(a) of the Periodic Report – Engagements for the Supply of Natural Gas from the Leviathan Project**

In May 2024, the Partnership engaged with Eshkol Power Energies Ltd. in an agreement for the supply of natural gas for the production units at the Eshkol site in Ashdod, as specified in the Partnership's immediate report dated 23 May 2024 (Ref. 2024-01-050965), according to which the supply of natural gas began in June 2024.

In Q2/2024 and until the report approval date, the Partnership signed several additional agreements for the sale of natural gas from the Leviathan project with various customers in the Israeli market, on a spot basis and in immaterial amounts.

**9. Section 7.12.2 of the Periodic Report – Export**

- a. Further to Section 7.12.2(e)(3) of the Periodic Report regarding an agreement to provide transmission services on a firm basis signed between Chevron Mediterranean Limited ("**Chevron**") and Israel Natural Gas Lines Ltd. ("**INGL**"), for the purpose of transport of natural gas from the Leviathan and Tamar reservoirs to EMG's terminal in Ashkelon and for its transmission to Egypt (the "**Transmission Agreement**"), note that further to the ongoing delays in the performance of the work in the combined section project (the Ashdod-Ashkelon marine transmission system, in this section, the "**Project**") in accordance with the Transmission Agreement, including due to the termination of the work since October 2023, on 3 August 2024, a notice was received from INGL whereby INGL has reached agreements with the foreign contractor regarding the terms and conditions of its return in order to complete the construction work in the Project and in their context, the foreign contractor undertook to resume performance of the construction work in the first half of November 2024. Furthermore, INGL updated that subject to the foreign contractor's return by the agreed date as aforesaid, the security situation, weather conditions, regulatory and other approvals, the updated forecast for the Project's completion is 1 May 2025. Accordingly, on 4 August 2024, Chevron and INGL signed an amendment to the Transmission Agreement whereby, *inter alia*, Chevron will bear, due to the partners' share in the Leviathan and Tamar projects, the amount equal to 56.5% of the additional costs entailed by returning the foreign contractor to Israel and resuming the construction work of the Project, according to updated timetables.

**Caution concerning forward-looking information – the estimations regarding the timetable for completion of the combined section are forward-looking information, as defined in the Securities Law 5728-1968, which is based, *inter alia*, on INGL's assumptions. It is emphasized that there is no certainty that the aforesaid estimations will materialize, in whole or in part, and they may materialize in a materially different manner, due to various factors that are beyond the Partnership's control.**

- b. Further to Section 7.12.2(e)(3)(c) of the Periodic Report regarding a dispute that erupted between the partners in the Leviathan project and INGL, in relation to the Transmission Agreement, on 3 June 2024, Chevron sent INGL a letter constituting a "notice of dispute" in the context of which it stated, *inter alia*, that insofar as the parties fail to reach a suitable solution within the timeframe determined in the Transmission Agreement, it intends to refer the dispute to arbitration. As of the report approval date, and further to meetings held between the parties, the parties are in the process of appointing agreed arbitrators.

#### 10. Section 7.20.2 of the Periodic Report – Leviathan Bond Bonds

- a. In Q2/2024 and until the report approval date, the Partnership made buy-backs in the amount of approx. \$36 million par value of the bonds issued by Leviathan Bond Ltd., a subsidiary wholly owned by the Partnership (the "**Leviathan Bond Bonds**"), for the consideration of approx. \$35 million which includes the accrued interest as of the purchase date, in accordance with the plan for the purchase of Leviathan Bond Bonds, as approved by the GP's board of directors. For additional details, see Section 3E of Part 1 of the board of directors' report (Chapter B hereof), and Note 6C to the Partnerships' financial statements as of 30 June 2024 (Chapter C hereof).
- b. With regard to a rating report for the Leviathan Bond Bonds released by Fitch Ratings see the Partnership's immediate report of 26 June 2024 (Ref. 2024-01-064786), the information appearing in which is incorporated herein by reference.

#### 11. Section 7.21 – Taxation

Further to Section 7.21.6 of the Periodic Report and Section 8(b) of the Q1 Report, regarding an assessment to the best of judgment that the Partnership received from the Tax Authority against the background of the disputes that arose between the Partnership and the Tax Authority and disagreements regarding the taxable income amount of the Partnership for tax purposes for 2018, it is noted that in accordance with the court's decision, the assessing officer is required to file the notice explaining the reasons for the assessment on his behalf by 30 September 2024. For further details, see Note 5A to the financial statements of the Partnership as of 30 June 2024 (Chapter C hereof).

#### 12. Section 7.23 of the Periodic Report – Restrictions on and Supervision of the Partnership's Activity

- a. Further to Section 7.23.5(b) of the Periodic Report regarding the Natural Gas Sector Regulations (Management of the Natural Gas Sector in Times of Emergency), 5777-2017 (the "**Emergency Regulations**"), on 14 July 2024 the government renewed the approval it gave the Minister of Energy and Infrastructure to declare a state of emergency in the natural gas sector, if the need arises to exercise the powers determined in the Emergency Regulations, starting from 17 July 2024 until 16 September 2024.<sup>2</sup>

<sup>2</sup> <https://www.gov.il/he/pages/dec2004-2024>

- b. Further to Section 7.23.5(d) of the Periodic Report and Section 9(a) of the Q1 Report regarding the publication of a hearing for the public's response with regard to reducing the natural gas transmission tariff by the Natural Gas Commission (the "**Hearing**"), on 4 June 2024, decision number 1/2024 of the Natural Gas Commission was adopted regarding the annual update to the transmission tariffs,<sup>3</sup> in whose context the natural gas transmission capacity tariff was reduced by 12.9% and the natural gas transport tariff was reduced by approx. 7% per MMBTU, effective from July 2024.
- c. Further to Sections 7.12.2(b)(4) and 7.23.5(f) of the Periodic Report and Section 9(b) of the Q1 Report, regarding the Ramat Hovav-Nitzana transmission pipeline (the "**Nitzana Project**"), in its letter dated 16 July 2024, the Natural Gas Authority informed the partners in the Leviathan project that because by 15 July 2024 no exporter had signed a transmission agreement, each of the exporters will receive a re-allocation enabling it to sign a transmission agreement by a new date that will be set, all as provided in the Natural Gas Commission decision 3/2023 regarding financing and allocation of capacity in all of the export pipelines (the "**Natural Gas Commission Decision**"). On 6 August 2024, the partners in the Leviathan project received another letter from the Natural Gas Authority, whereby the allocation of the partners in the Leviathan project in the Nitzana Project remains one third of the capacity of this pipeline, the new date as aforesaid was set to 6 October 2024, and exporters which do not sign a transmission agreement will be deemed as having relinquished their capacity in this pipeline, such that the capacity that will become available will be offered to the other exporters.

In June 2024, the partners in the Leviathan project approved an additional preliminary budget for the Nitzana Project, in the amount of approx. \$4.2 million (100%), before undertaking to participate in the project financing, in accordance with the Natural Gas Commission Decision, and before adopting a final investment decision, if any. As of the report approval date, the Leviathan partners are conducting negotiations with INGL in order to examine all the commercial terms and conditions in the Nitzana Project and, on the basis thereof, are expected to make a decision in relation to their participation in this project. In addition, the Leviathan partners have begun an initial examination of an alternative transmission-for-export project. It is clarified that there is no certainty regarding the participation of the partners in the Leviathan project, in the Nitzana Project or in the aforesaid alternative project.

- d. On 17 July 2024, the Ministry of Energy published a "policy background document" on the use of the subsurface to neutralize greenhouse gas emissions as part of activities of storage or burial of carbon dioxide ("**CO<sub>2</sub>**").<sup>4</sup> According to the aforesaid document, the Israeli energy sector is expected to use capture and storage of CO<sub>2</sub> as part of the production of blue hydrogen or in addition to the use of natural gas, as a supplemental means in the reduction of greenhouse gas emissions and in reaching the target of zero emissions in 2050. To this end, it is necessary to develop

<sup>3</sup> <https://www.gov.il/BlobFolder/reports/ng-board-decision-2024/he/board-decision-1-2024.pdf>

<sup>4</sup> <https://www.gov.il/BlobFolder/reports/ccs-170724/he/ccs-july-2024.pdf>



financial incentives and an enabling policy for the construction of the infrastructure that is required for CO<sub>2</sub> transport in Israel, develop a government fiscal policy that is suited to supporting an overall reduction of emissions, and promote relevant regulation and legislation. As of the report approval date, it is impossible to estimate what fiscal and regulatory changes are expected to be made, and how these will affect the Partnership's activity and business, if at all.

**13. Section 7.25.8(b) of the Periodic Report – Calculation of the Market Value of the Royalties at the Wellhead in the Tamar Project**

Further to the understandings reached with the Ministry of Energy on the royalty audit reports of the Tamar venture for 2013-2018, in July 2024, the Ministry of Energy delivered, to the Tamar project operator, final audit reports for 2013-2018 in accordance with such understandings.

**14. Section 7.26 of the Periodic Report – Legal Proceedings**

- a. Further to Section 7.26.1 of the Periodic Report regarding an appeal filed by the Partnership and Chevron (the "**Plaintiffs**") from the judgment received in a lawsuit filed by them with the Jerusalem District Court, against the state of Israel (the "**Defendant**") which is primarily a demand for reimbursement of royalties which the Plaintiffs paid the Defendant, in excess and under protest, due to revenues generated by the Plaintiffs from gas supply agreements signed between natural gas consumers and the partners in the Yam Tethys project (in this section, the "**Appeal**"), note that the hearing in the Appeal was postponed to 27 April 2025.
- b. Further to Section 7.26.2 of the Periodic Report and Section 10(a) of the Q1 Report regarding an appeal filed with the Supreme Court by the holders of participation units of Avner Oil Exploration – Limited Partnership ("**Avner**"), from the judgment that had denied a motion for class action certification filed in connection with the merger transaction between the Partnership and Avner (in this section: the "**Judgement**"), against Avner, the general partner in Avner and its board members, Delek Group Ltd. ("**Delek Group**") as the control holder of Avner (indirectly) and Price Waterhouse Coopers Advisory Ltd. (in this section, "**PWC**" and the "**Appeal**", respectively), and regarding a counter-appeal filed by PWC from the Judgement and conducted in the framework of the Appeal (the "**Counter-Appeal**"), it is noted that on 6 August 2024, the parties filed a motion to postpone the date for filing the responses to the Appeal and the Counter-Appeal until 22 August 2024.
- c. Further to Section 7.26.4 of the Periodic Report regarding a class certification motion filed with the Tel Aviv District Court by an electricity consumer (in this section, the "**Petitioner**"), against the Partnership and Chevron (the "**Respondents**"), and against the other partners in the Leviathan and Tamar projects (as litigants against which a remedy is not sought), in relation to the competitive process for supply of natural gas held by the IEC and to a possible amendment to the agreement for supply of gas from the Tamar project to the IEC, as agreed by Isramco Negev 2 – Limited Partnership, Tamar Petroleum Ltd., Dor Gas Exploration – Limited Partnership, and Everest Infrastructure – Limited Partnership, without the Respondents' involvement, note that on 27 June 2024, the

court entered a decision on the parties' agreement – reached pursuant to the court's recommendation – to hold a conciliation aiming to reach a withdrawal arrangement, and on 27 July 2024 it scheduled a preliminary hearing for 25 September 2024, the purpose of which is to examine whether the case is suitable for a conciliation proceeding as aforesaid.

- d. Further to Section 7.26.6 of the Periodic Report and Section 10(c) of the Q1 Report, regarding a motion for class certification which was filed by a participation unit holder of the Partnership (in this section: 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 (collectively: the "**Respondents**"), claiming that the Respondents had 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). It is noted that in accordance with the court's decision, the Respondents and the Petitioner are required to file summations and responding summations in 2024, and all by 8 October 2024.
- e. Further to Section 7.26.7 of the Periodic Report regarding a lawsuit filed by Haifa Port Ltd. (the "**Haifa Port**") against Chevron, Coral Maritime Services Ltd. and Gold-Line Shipping Ltd. in relation to payment of handling fees to the port, on 4 June 2024, a pre-trial hearing was held in which various motions filed by the parties were heard, other than Haifa Port's motion to call a customs representative to give the testimony scheduled for 8 October 2024, and on 28 July 2024, the court rejected the motions filed by Haifa Port and granted the motion filed by Chevron to call witnesses whom it does not control.
- f. Further to Section 7.26.9 of the Periodic Report and Section 10(d) of the Q1 Report regarding a motion for a discovery and document inspection order prior to the filing of a derivative claim filed by a holder of participation units of the Partnership (in this section: the "**Petitioner**") against the Partnership, the GP, the CEO of the Partnership and members of the board of directors of the GP (including the members of the Compensation Committee) during the relevant period (the "**Discovery Motion**"), claiming that the approval of the current terms of office and employment of the CEO of the Partnership by the Compensation Committee and the board of directors, "overruling" the position of the general meeting of the holders of participation units of the Partnership, was done against the law, it is noted that on 4 June 2024, the Petitioner's reply to the Partnership's answer to the Discovery Motion was filed, and that in accordance with the court's decision, the professional functions at the Ministry of Justice may file a position on their behalf by 19 September 2024. The court also ruled that a trial hearing will be held on 18 November 2024. Note also that on 23 June 2024, a motion was filed on behalf of the Association of Publicly-Traded Companies (the "**Association**") to join the proceeding as an *Amicus Curiae*, and according to the court's decision, after the parties' responses to the aforesaid motion were filed, the Association may file its response to these responses by 11 August 2024. In addition, further to the parties' objection to the consolidation of the hearing of this proceeding with the Additional

Proceedings (as defined in Section 7.26.9 of the Periodic Report), on 17 July 2024, the court ruled that the hearings will not be consolidated.

**15. Section 7.29.4 of the Periodic Report – ESG-Based Changes to Investment Trends**

In June 2024, the Partnership posted a report on its website regarding corporate responsibility and environmental, social and governance risks (ESG) for 2022-2023.

**16. Regulation 10C of Chapter D of the Periodic Report – Use of Securities Proceeds in Reference to the Goals of the Proceeds Pursuant to the Prospectus**

For details on the extension of the period for offering securities pursuant to the Partnership's shelf prospectus dated 31 May 2022, until 30 May 2025, see the Partnership's immediate report dated 29 May 2024, (Ref. 2024-01-053836), the information appearing in which is incorporated herein by reference.

**17. Regulation 29A(4) of Chapter D of the Periodic Report – Exemption, Insurance or Undertaking for Officer Indemnification**

For details on the decision of the compensation committee and board of directors of the GP to approve renewal of the D&O liability insurance policy, see the Partnership's immediate report dated 24 June 2024 (Ref. 2024-01-063934), the information appearing in which is incorporated herein by reference.

18. Below is a table that includes natural gas and condensate production data in Q1/2024 and Q2/2024 in the Leviathan project:<sup>5</sup>

		Q1		Q2	
		Natural gas	Condensate	Natural gas	Condensate
Total output (attributable to the holders of the equity interests of the Partnership) during the period (in MMCF for natural gas and in thousands of barrels for condensate, as applicable)		41,615.21	23.80	44,973.86	95.54
Average price per output unit (attributed to the holders of the equity interests of the Partnership) (Dollar per MCF and per barrel, as applicable)		6.28	74.08	6.42	68.28
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)	The State	0.65	7.68	0.68	7.19
	Third parties	0.16	1.84	0.16	1.72
	Interested parties	0.08	0.92	0.08	0.86
Average production costs per output unit (attributed to the holders of the equity interests of the Partnership) (Dollar per MCF and per barrel, as applicable) <sup>6,7</sup>		1.05	12.80	0.95	6.10
Average net proceeds per output unit (attributed to the holders of the equity interests of the Partnership) (Dollar per MCF and per barrel, as applicable)		4.34	50.84	4.55	52.41

Date: 7 August 2024

**NewMed Energy – Limited Partnership**  
**through NewMed Energy Management Ltd., GP**

Signed by: Gabi Last, Chairman of the Board  
and Yossi Abu, CEO

<sup>5</sup> 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.

<sup>6</sup> 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.

<sup>7</sup> The average production costs per output unit of natural gas include costs for the transmission of the natural gas via INGL's transmission system to EMG's terminal in Ashkelon to the terminal in the Jordan border, as well as costs of transmission via the regional transmission system to the point of delivery in Aqaba, Jordan, for the purpose of supplying the gas to Egypt in the sum of approx. \$43.6 million in Q1/2024 and in the sum of approx. \$40.9 million in Q2/2024 (100%). Also, the average production costs per output unit of condensate include costs for the transmission of condensate via Europe Asia Pipeline Co. (EAPC), in the sum of approx. \$0.4 million in Q1/2024 and in the sum of approx. \$0.6 million in Q2/2024 (100%).





# Board of Directors report

*This report is a translation of NewMed Energy – Limited Partnership’s Hebrew-language Board of Directors’ Report of the General Partner. It is prepared solely for convenience purposes. Please note that the Hebrew version constitutes the binding version, and in any event of discrepancy, the Hebrew version shall prevail.*

7 August 2024

## **NewMed Energy – Limited Partnership**

### **Report of the Board of Directors of the General Partner for the six- and three-month periods ended 30 June 2024**

The board of directors of NewMed Energy Management Ltd. (the “**General Partner**”) hereby respectfully submits the board of directors’ report for the six- and three-month periods ended 30 June 2024 (the “**Report Period**” and “**Q2**”, respectively).

### **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 an update to Chapter A (Description of the Partnership’s Business) of the 2023 periodic report (the “**Periodic Report**”) and the condensed interim financial statements as of 31 March 2024 and the condensed interim financial statements as of 30 June 2024 (the “**Condensed Interim Financial Statements**”), attached below.

#### **2. Results of operations**

##### **A. General**

As of the report approval date, 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, Cyprus and Morocco, 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 is examining business opportunities for exploration, development, production and marketing of natural gas, condensate and oil in other countries, and is also considering and promoting possible investments in renewable energy projects, in the context of the collaboration with Enlight Renewable Energy Ltd.<sup>1</sup>, and is further examining options for entering the hydrogen sector, including blue hydrogen which is produced from natural gas and may constitute a low-carbon substitute for energy consumers.

The Partnership is promoting Phase 1B of the Leviathan reservoir’s

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<sup>1</sup> For details regarding the Enlight transaction, see Section 7.9 of Chapter A (Description of the Partnership’s Business) of the Periodic Report as of 31 December 2023.

development plan, in the context of which on 31 July 2024, the Leviathan partners adopted a decision regarding the performance of FEED and preliminary procurement of long lead items, with a budget of approx. \$429 million (100%). For further details, see Note 3B1A to the Condensed Interim Financial Statements attached below.

Following the barbaric attack perpetrated by the Hamas terrorist organization on 7 October 2023, targeting communities and military bases in the south of Israel, the Israeli government declared the Iron Swords war against this terrorist organization (the “**War**”). As of the report approval date, the War is ongoing and it is impossible to predict how long it will last or what impact it will have on the Partnership, its business and its assets. As of the report approval date, there is significant escalation in the War against the terrorist organization 'Hezbollah' on the northern border of Israel, as well as against Iran. Accordingly, any further significant escalation, or the outbreak of a full-scale war on these fronts, may have a material adverse effect on the Partnership, its assets and its business. For further details, see Section F below and Section 6.9.3 of Chapter A (Description of the Partnership’s Business) of the Periodic Report as of 31 December 2023.

The Partnership’s comprehensive income in the Report Period totaled approx. \$258 million, compared with approx. \$214 million year-over-year. The increase in income mainly derived from the increase in net income from the sale of natural gas from the Leviathan reservoir and from the decrease in the net financial expenses which was partly offset by the increase in the costs of natural gas and condensate production and tax on income expenses, as specified below.

The Partnership’s comprehensive income in Q2/2024 totaled approx. \$137 million, compared with approx. \$93 million year-over-year. The increase in the income mainly derived from the reasons stated above.

## B. Analysis of statements of comprehensive income

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

	1-3/24	4-6/24	1-6/24	1-6/23	4-6/23	2023
<b>Revenues</b>						
From natural gas and condensate sales	263.2	295.3	558.5	531.9	250.8	1,094.4
Net of royalties	42.6	29.6	79.7	77.5	36.4	159.8
<b>Revenues, net</b>	<b>226.1</b>	<b>252.7</b>	<b>478.8</b>	<b>454.4</b>	<b>214.4</b>	<b>934.6</b>
<b>Expenses and costs:</b>						
Cost of natural gas and condensate production	44.4	43.0	87.4	73.0	34.8	148.6
Depreciation, depletion and amortization expenses	19.0	19.3	38.3	40.8	20.9	79.2
Other direct expenses	0.8	1.3	2.1	1.7	0.9	5.3
G&A expenses	3.2	4.9	8.1	11.4	5.8	20.8
<b>Total expenses and costs</b>	<b>67.4</b>	<b>68.5</b>	<b>135.9</b>	<b>126.9</b>	<b>62.4</b>	<b>253.9</b>
The Partnership's share in the profits (losses) of a company accounted for at equity	1.0	1.4	2.4	(1.4)	(0.1)	(1.3)
<b>Operating income</b>	<b>159.7</b>	<b>185.6</b>	<b>345.3</b>	<b>326.1</b>	<b>151.9</b>	<b>679.4</b>
Financial expenses	(29.6)	(29.4)	(59.0)	(69.1)	(31.9)	(133.8)
Financial income	27.4	23.8	51.2	26.8	6.9	28.7
<b>Financial expenses, net</b>	<b>(2.2)</b>	<b>(5.6)</b>	<b>(7.8)</b>	<b>(42.3)</b>	<b>(25.0)</b>	<b>(105.1)</b>
<b>Profit before taxes on the income</b>	<b>157.5</b>	<b>180.0</b>	<b>337.5</b>	<b>283.8</b>	<b>126.9</b>	<b>574.3</b>
Taxes on the income	(36.4)	(43.6)	(80.0)	(70.2)	(34.0)	(142.8)
<b>Income from continuing operations</b>	<b>121.1</b>	<b>136.4</b>	<b>257.5</b>	<b>213.6</b>	<b>92.9</b>	<b>431.5</b>
Income from discontinued operations	-	0.6	0.6	-	-	2.1
<b>Comprehensive income</b>	<b>121.1</b>	<b>137.0</b>	<b>258.1</b>	<b>213.6</b>	<b>92.9</b>	<b>433.6</b>



**Net revenues** in the Report Period totaled approx. \$479 million, compared with approx. \$454 million year-over-year, up around 5.5%. The increase mainly derived from the increase in the natural gas quantities produced and sold from the Leviathan reservoir, from approx. 5.3 BCM (100%) in the same period last year to approx. 5.4 BCM (100%) in the Report Period, from an increase in the average price per thermal unit (MMBTU) from approx. \$6.11 per MMBTU in the same period last year to approx. \$6.23 per MMBTU in the Report Period, and from income from the sale of condensate in the Report Period. The piping of condensate to Ashdod Refinery Ltd. began on 7 March 2024, the revenues for which, in the Report Period, totaled approx. \$18 million (100%, the Partnership's share is approx. \$8 million).

Net revenues in Q2/2024 totaled approx. \$253 million compared with approx. \$214 million year-over-year, up around 18.2%. The increase mainly derived from an increase in the natural gas quantities sold from the Leviathan reservoir, from approx. 2.5 BCM in Q2/2023 to approx. 2.8 BCM in Q2/2024, from an increase in the average price per thermal unit (MMBTU) from approx. \$6.14 per MMBTU in Q2/2023 to approx. \$6.29 per MMBTU in Q2/2024, and from income from the sale of condensate in Q2/2024, as aforesaid.

The table below specifies 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:

<b>2024 - (BCM)*</b>					
	<u>Israel</u>	<u>Jordan</u>	<u>Egypt</u>	<u>Total</u>	<u>Average Price**</u>
<b>Q1</b>	0.2	0.6	1.8	2.6	\$6.16
<b>Q2</b>	0.4	0.6	1.8	2.8	\$6.29
<b>Total</b>	<b>0.6</b>	<b>1.2</b>	<b>3.6</b>	<b>5.4</b>	<b>\$6.23</b>

<b>2023 - (BCM)*</b>					
	<u>Israel</u>	<u>Jordan</u>	<u>Egypt</u>	<u>Total</u>	<u>Average Price**</u>
<b>Q1</b>	0.6	0.7	1.5	2.8	\$6.09
<b>Q2</b>	0.3	0.6	1.6	2.5	\$6.14
<b>Total</b>	<b>0.9</b>	<b>1.3</b>	<b>3.1</b>	<b>5.3</b>	<b>\$6.11</b>

\* The figures are rounded off to one-tenth of a BCM.

\*\* Price per MMBTU in dollars, rounded off to 2 digits after the decimal point.

**Cost of natural gas and condensate production** in the Report Period totaled approx. \$87 million compared with approx. \$73 million year-over-year, up around 19%, and mainly includes expenses of management and operation of the Leviathan project, including, *inter alia*, expenses of haulage and transport, salaries, consulting, maintenance, environment, insurance and the cost of transmission of natural gas to Egypt.

The increase in the Report Period mainly derives from an increase in the transport and haulage expenses and the costs of transmission of gas to Egypt which derive, *inter alia*, from the increase in the quantity of gas sold to Egypt, from an increase in the maintenance expenses due to maintenance work, which was postponed from the end of 2023, and from a rise in insurance rates and the costs of foreign subcontractors as a result of the Swords of Iron war.

Cost of natural gas and condensate production in Q2/2024 totaled approx. \$43 million, compared with approx. \$35 million year-over-year. The increase mainly derived from the reasons stated above.

**Depreciation, depletion and amortization expenses** totaled approx. \$38 million in the Report Period, compared with approx. \$41 million year-over-year, down around 6%. The decrease mainly derives from an increase in the update of a retirement obligation in the Yam Tethys project relative to the update in the same period last year and was partly offset by an increase in the depletion depreciation in the Leviathan project as a result of the increase in the quantity of gas produced compared with the same period last year.

Depreciation, depletion and amortization expenses in Q2/2024 totaled approx. \$19 million, compared with approx. \$21 million year-over-year. The decrease derived from the above reasons.

**Other direct expenses** in the Report Period totaled approx. \$2 million, similarly 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. Other direct expenses in Q2/2024 totaled approx. \$1 million, similarly to the same quarter last year.

**G&A expenses** totaled approx. \$8 million in the Report Period, compared with approx. \$11 million year-over-year, and include, *inter alia*, salary expenses, expenses for professional services, and D&O insurance. The decrease in expenses mainly derived from a decrease in the expenses for revaluation of the cost of a participation-unit based payment to the Partnership's CEO and from a decrease in the cost of professional services. G&A expenses in Q2/2024 totaled approx. \$5 million compared with approx. \$6 million year-over-year. The decrease mainly derives from a decrease in expenses for professional services.

**The Partnership's share in the profits (losses) of a company accounted for at equity** totaled a profit of approx. \$2.4 million in the Report Period, compared with a loss of approx. \$1.4 million year-over-year. The profit derived from the company accounted for at equity, EMED Pipeline BV ("**EMED**"), which holds 39% of the shares of Eastern Mediterranean Gas Company S.A.E ("**EMG**"). The Partnership's share in the profits of a company accounted for at equity in Q2/2024 totaled approx. \$1.4 million compared with a loss of approx. \$0.1 million year-over-year.

**Financial expenses** totaled approx. \$59 million in the Report Period, compared with approx. \$69 million year-over-year, down around 14%. The financial expenses in the Report Period mainly derived from interest in respect of bonds issued by Leviathan Bond Ltd., a wholly owned subsidiary of the Partnership (the “**Leviathan Bond Bonds**”). The decrease in the financial expenses in the Report Period compared with the same period last year mainly derived from repayment of the first series (2023) in Q2/2023, which was partly offset by a decrease in the financial expenses which were capitalized to qualifying assets in the Report Period year-over-year.

Financial expenses in Q2/2024 totaled approx. \$29 million, compared with approx. \$32 million year-over-year. The decrease mainly derived from the reasons stated above.

**Financial income** totaled approx. \$51 million in the Report Period, compared with approx. \$27 million year-over-year. The increase in the financial income mainly derived from revaluation of royalties from the sale of the Karish and Tanin leases in the sum of approx. \$40 million in the Report Period, compared with revaluation in the sum of approx. \$12 million in the same period last year. Conversely, a decrease in interest revenues from deposits was recorded from approx. \$10 million in the same quarter last year to approx. \$8 million in the Report Period. For further details, see Note 6A to the Condensed Interim Financial Statements attached below.

Financial income in Q2/2024 totaled approx. \$24 million, compared with approx. \$7 million year-over-year. The increase mainly derived from an increase in income from revaluation of royalties receivable from the Karish and Tanin leases and from an increase in interest revenues from deposits as aforesaid.

**Taxes on the income** totaled approx. \$80 million in the Report Period, compared with approx. \$70 million year-over-year. The increase mainly derived from the increase in the pre-tax profit in the Report Period compared with the same period last year.

Taxes on income in Q2/2024 totaled approx. \$43 million, compared with approx. \$34 million year-over-year. The increase mainly derived from the increase in pre-tax profit in Q2/2024 compared with the same period last year.

### **3. Financial position, liquidity and financing sources**

#### **A. Financial position**

The main changes in the items of the statement of financial position as of 30 June 2024, compared with the statement of financial position as of 31 December 2023, are specified below:

**Total assets** as of 30 June 2024 totaled approx. \$3,908 million, compared with approx. \$3,846 million as of 31 December 2023.

**Current assets** as of 30 June 2024 totaled approx. \$713 million compared with approx. \$568 million as of 31 December 2023, as specified below:

- (1) Cash and cash equivalents** as of 30 June 2024 totaled approx. \$112 million, compared with approx. \$29 million as of 31 December 2023. The cash income mainly derived from net income from the sale of natural gas and condensate from the Leviathan project and from income from Energean in respect of production-based royalties from the Karish lease and repayment of a loan provided to Energean (as specified in Note 6A to the Condensed Interim Financial Statements attached below). Conversely, the Partnership made payments in the Report Period, mainly in connection with profit distributions to the participation unitholders, the repayment of a loan provided to the Partnership by a banking corporation on account of credit facilities, and tax advance payments.
- (2) Short-term deposits** as of 30 June 2024 totaled approx. \$190 million, compared with approx. \$158 million as of 31 December 2023, and primarily include deposits in connection with the Leviathan Bond Bonds in the sum of approx. \$178 million compared with approx. \$146 million as of 31 December 2023. The balance of the deposits as of 30 June 2024 includes a safety cushion in the sum of approx. \$100 million for repayment of the Leviathan Bond Bonds, which was classified as short-term and designated for repayment of the Series 2025 Leviathan Bond Bonds.
- (3) Trade receivables** as of 30 June 2024 totaled approx. \$256 million, compared with approx. \$194 million as of 31 December 2023. The increase mainly derived from a change in the customer mix and in the sale price compared with the same period last year.
- (4) Other receivables** as of 30 June 2024 totaled approx. \$155 million, compared with approx. \$187 million as of 31 December 2023. The decrease mainly derives from a decrease in the operator balance under the joint venture in the Leviathan project, and from repayment of a loan provided to Energean in the Report Period.

**Non-current assets** as of 30 June 2024 totaled approx. \$3,195 million, compared with approx. \$3,278 million on 31 December 2023, as specified below:

- (1) Investments in oil and gas assets** as of 30 June 2024 totaled approx. \$2,641 million, compared with approx. \$2,647 million as of 31 December 2023. The movement in the Report Period mainly derived from investments made by the Partnership in the Leviathan project and from an update to a retirement asset in the Leviathan project in the sum total of approx. \$33 million. Conversely, the Partnership recorded depreciation, depletion and amortization expenses in the Leviathan project in the sum of approx. \$41 million.



**(2) Investment in a company accounted for at equity** as of 30 June 2024 totaled approx. \$61 million compared with approx. \$58 million as of 31 December 2023, and is due to the investment in EMED. The increase derived from the recording of a profit in respect of the investment in the company accounted for at equity in the Report Period.

**(3) Long-term deposits** as of 30 June 2024 totaled approx. \$0.5 million, compared with approx. \$102 million as of 31 December 2023. The deposits as of 31 December 2023 are mainly used as a safety cushion for the repayment of the principal of the Leviathan Bond Bonds in accordance with the terms and conditions of the deed, and on the report date, they were classified as short-term deposits against the current maturities of the Series 2025 bonds, maturing in June 2025.

**(4) Other long-term assets** as of 30 June 2024 totaled approx. \$494 million, compared with approx. \$470 million as of 31 December 2023. The increase mainly derived from revaluation of royalties from the sale of the Karish and Tanin leases and from the Partnership's investments in export pipelines to Jordan and Egypt.

**Current liabilities** as of 30 June 2024 totaled approx. \$701 million, compared with approx. \$211 million as of 31 December 2023, as specified below:

**(1) Bonds** as of 30 June 2024 totaled approx. \$591 million, and include the Series 2025 Leviathan Bond Bonds, net of issue expenses and net of bonds that were purchased in the context of a buyback plan (for details, see Part Four and Section E below).

**(2) Income taxes payable** as of 30 June 2024 totaled approx. \$16 million, compared with approx. \$28 million as of 31 December 2023, which mainly include an estimate of income tax payable for the Partnership's taxable income, net of the advances paid by the Partnership to the tax authorities.

**(3) Trade and other payables** as of 30 June 2024 totaled approx. \$93 million, compared with approx. \$101 million as of 31 December 2023. The decrease mainly derived from a decrease in the operator balances under the joint ventures.

**(4) Other short-term liabilities** as of 30 June 2024 totaled approx. \$1 million, compared with approx. \$2 million as of 31 December 2023, and derive from the oil and gas asset retirement obligation in the Yam Tethys and New Ofek projects.

**Non-current liabilities** as of 30 June 2024 totaled approx. \$1,556 million, compared with approx. \$2,123 million as of 31 December 2023, as specified below:

**(1) Bonds** as of 30 June 2024 totaled approx. \$1,139 million compared with approx. \$1,735 million as of 31 December 2023, and include the Leviathan

Bond Bonds, net of issue expenses. The decrease derives from classification of the Series 2025 bonds as current maturities.

- (2) **Deferred tax liability** as of 30 June 2024 totaled approx. \$350 million, compared with approx. \$314 million as of 31 December 2023. The increase mainly derives from an increase in the temporary differences between the tax basis of oil and gas assets and their value in the financial statements.
- (3) **Other long-term liabilities** as of 30 June 2024 totaled approx. \$68 million, compared with approx. \$74 million as of 31 December 2023. The decrease mainly derived from an update to the oil and gas asset retirement obligation in the Leviathan and Yam Tethys projects.

**The capital of the limited partnership** as of 30 June 2024 totaled approx. \$1,651 million, compared with approx. \$1,513 million as of 31 December 2023. The change in capital mainly derived from the comprehensive income recorded in the Report Period in the sum of approx. \$258 million, which was offset by profits that were distributed in the sum of approx. \$120 million.

## **B. Cash flow**

- (1) Net cash flows generated by the Partnership from operating activities in the Report Period totaled approx. \$199 million, compared with approx. \$286 million year-over-year.
- Cash flows generated by the Partnership from operating activities in Q2/2024 totaled approx. \$69 million, compared with approx. \$119 million year-over-year.

Net cash flows generated by the Partnership from investment activities in the Report Period totaled approx. \$88 million, compared with approx. \$329 million, which were generated by investment activities in the same period last year. In the Report Period, the Partnership invested approx. \$46 million in oil and gas assets, mainly in the Leviathan project. Conversely, in the Report Period, royalties were received and the loan from Energean in respect of the sale of the Karish and Tanin leases was repaid in the sum of approx. \$73 million and a net withdrawal was made from short-term deposits in the sum of approx. \$72 million. In the same period last year, the cash flows generated mainly from withdrawal of long-term deposits for the purpose of repayment of Series 2023 Leviathan Bond Bonds.

Cash flows generated from investment activities in Q2/2024 totaled approx. \$14 million, compared with approx. \$351 million year-over-year. The increase mainly derived from the factors stated above.

- (2) Cash flows used for financing activities in the Report Period totaled approx. \$205 million, compared with approx. \$569 million year-over-year. Cash flows in the Report Period were primarily used for profit distributions, repayment of a loan from a banking corporation and buyback of Leviathan Bond Bonds, as stated in Section E. below. In the same period last year, the cash flows were primarily used for the distribution of profits, repayment of

Series 2023 Leviathan Bond Bonds and buyback of Leviathan Bond Bonds.

Cash flows used for financing activities in Q2/2024 totaled approx. \$117 million, compared with approx. \$484 million in the same quarter last year. Cash flows used for financing activities in Q2/2024 were mainly used for the distribution of profits to the participation unit holders.

### **C. Financing**

- (1) On 11 January 2024, the Partnership repaid \$80 million that had been drawn down out of a credit facility received from an Israeli bank in 2023. On 14 March 2024, the Partnership signed with the Israeli bank for the provision of a credit facility in the sum of \$100 million. Upon the taking effect of this facility, the previous facilities were canceled. For further details, see Note 10D to the 2023 financial statements (Chapter C of the Periodic Report).
- (2) As a result of the War, the Leviathan Bond Bonds were placed on negative watch by the rating agencies Moody's and Fitch. In addition, the rating agency S&P downgraded the bonds' rating outlook to negative. In February 2024, upon the downgrading of the credit rating of the State of Israel and Israeli banks by the Moody's rating agency, Moody's announced that following consideration of a downgrade, it had decided to affirm, rather than downgrade, the rating of the Leviathan Bond Bonds. However, under the shadow of the Iron Swords War, Moody's changed the rating outlook of the Leviathan Bond Bonds to negative. In March 2024, the rating agency S&P released a rating affirmation report in which it left the rating of the Leviathan Bond Bonds unchanged as well as the negative rating outlook, due to the risk of escalation of the War. In June 2024, the rating agency Fitch released a rating report in which it left the rating of the Leviathan Bond Bonds unchanged and removed the bonds from negative watch.

In addition, although, as a consequence of the War, there has been an increase in the returns on the Leviathan Bond bonds, such increase does not affect the nominal interest of the bonds, the Partnership's cash flow and the ability to repay the bonds, although it may have an adverse effect on the Partnership's ability to raise additional debt, and increase the financing costs of raising additional debt as aforesaid.

### **D. Profit distributions:**

- (1) On 18 March 2024, after receiving the recommendation of the General Partner's financial statements review committee, the General Partner's board of directors approved a profit distribution in the sum total of \$60 million (\$0.05112 per participation unit), with the record date for the distribution being 28 March 2024, which profit distribution was performed on 11 April 2024.

(2) On 23 May 2024, after receiving the recommendation of the General Partner's financial statements review committee, the General Partner's board of directors approved a profit distribution in the sum total of \$60 million (\$0.05112 per participation unit), with the record date for the distribution being 2 June 2024, which profit distribution was performed on 20 June 2024.

(3) On 7 August 2024, after receiving the recommendation of the General Partner's financial statements review committee, the General Partner's board of directors approved a profit distribution in the sum total of \$65 million (\$0.05538 per participation unit), with the record date for the distribution being 25 August 2024, which profit distribution will be performed on 5 September 2024.

**E. Plan for buyback of Leviathan Bond Bonds:**

On 22 January 2023, the board of directors of the Partnership's General Partner approved the adoption of a plan for buyback of the Leviathan Bond Bonds in an aggregate amount of up to \$100 million, by way of OTC purchase, purchase on the TACT-Institutional system on TASE, or otherwise (the "**Buyback Plan**"). The Buyback Plan took effect on 23 January 2023 and will expire at the lapse of two years, i.e., on 23 January 2025. On 15 November 2023, the General Partner's board of directors approved the continued performance of buybacks in accordance with the Buyback Plan, out of the bond series maturing on 30 June 2025 and/or out of the bond series maturing on 30 June 2027. In Q2/2024 until the report approval date, the Partnership performed buybacks in the sum of approx. \$36 million par value of the bonds that were issued by Leviathan Bond Ltd., a wholly owned subsidiary of the Partnership ("**Leviathan Bond Bonds**"), in consideration for approx. \$35 million, which includes the interest accrued as of the buyback date, according to a plan for the buyback of Leviathan Bond Bonds, as approved by the General Partner's board. For further details, see Part Four below and Note 10B to the 2023 financial statements (Chapter C of the Periodic Report).

F. Further to Section 3G of Part One of the board of directors' report (Chapter B) within the Periodic Report as of 31 December 2023, with respect to the Swords of Iron war and the ramifications thereof, it is noted that on 18 April 2024, the credit rating agency S&P Global (the "**Rating Agency**") downgraded the State of Israel's long-term credit rating by one notch to "A+" (in lieu of "AA-"), its short-term credit rating to "A-1" (in lieu of "A-1+"), and left the negative outlook in relation to the long-term credit rating. According to the Rating Agency's announcement, the negative outlook stems from the risk that the war with the Hamas terrorist organization and the conflict with the Hezbollah terrorist organization on the northern border will escalate or affect the economic and fiscal positions of the State of Israel more significantly than as presently expected, *inter alia*, following the direct attack against the State of Israel by Iran in April 2024, the risk of escalation of the conflict with Iran and given the endurance of the War for more than 6 months, as forecasted by the Rating Agency in October 2023. From the end of July 2024 until the report

approval date, there is significant escalation in the War against the terrorist organization 'Hezbollah' on the northern border of Israel, as well as against Iran. Accordingly, any further significant escalation, or the outbreak of a full-scale war on these fronts, may have a material adverse effect on the Partnership, its assets and its business, *inter alia* including the risk factors listed in Section 7.29.1 of Chapter A (Description of the Partnership's Business) of the Periodic Report for 2023, the materialization of which might have a material adverse effect on the Partnership, its assets and its business.

- G.** For details regarding the military conflict between Russia and Ukraine and its possible impact on the Partnership's business, see Section 3.H of Part One of the board of directors' report (Chapter B) within the Periodic Report as of 31 December 2023.
- H.** For details regarding inflation and the rise in the interest rate and their possible impact on the Partnership's business and the financial reporting and disclosure, see Section 3.I of Part One of the board of directors' report (Chapter B) within the Periodic Report as of 31 December 2023.



## Part Two – Exposure to and Management of Market Risks

### Report on exposure to and management of market risks

#### 1. 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 the risk factors affecting the fair value of “sensitive instruments”.

#### Description of parameters, assumptions and models

Parameters:

Parameter	Source/Manner of Treatment
ILS/Dollar exchange rate	Representative rate as of 30 June 2024
Dollar interest	Capitalization interest/SOFR interest

- a. Analysis of sensitivity for the value of future production-based royalties from the sale of the Karish and Tanin leases to changes in the cap rate when the other variables remain fixed (\$ in millions):

Sensitive instrument	Profit/(loss) from changes		Fair value	Profit/(loss) from changes	
	2%	1%		-1%	-2%
<b>Future production-based royalties from the Karish and Tanin leases</b>	(22.2)	(11.6)	<b>284.8</b>	12.7	26.5

- b. Analysis of sensitivity for the value of future production-based royalties from the sale of the Karish and Tanin leases to changes in the price of natural gas and condensate when the other variables remain fixed (\$ in millions):

Sensitive instrument	Profit from changes in the natural gas prices				Fair value	Profit/(loss) from changes in the natural gas prices			
	30%	20%	10%	5%		-5%	-10%	-20%	-30%
<b>Future production-based royalties from the Karish and Tanin leases</b>	52.5	33.5	14.5	9.7	<b>284.8</b>	27.2	16.3	(4.8)	(23.3)

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%
Future production-based royalties from the Karish and Tanin leases	27.3	18.2	9.1	4.6	<b>284.8</b>	32.9	27.7	17.2	6.8

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%
Cash and cash equivalents	*	*	0.9	*	*
Bank deposits	*	*	0.2	*	*
Trade and other payables	*	*	(0.6)	*	*
<b>Total</b>	*	*	0.5	*	*

\* Balance less than \$0.1 million

During the reported period there was no change in the Partnership's exposures and market risks, as were reported in the board of directors' report for 2023, except as stated below:

## 2. Report on linkage bases in Dollars in millions, as of 30 June 2024:

	Financial Balances			Total
	In dollars or dollar-linked	In non-linked ILS	Non-financial balances	
<b>Assets</b>				
Cash and cash equivalents	110.6	0.9	-	111.5
Short-term deposits	189.8	0.2	-	190.0
Trade receivables	256.1	-	-	256.1
Other receivables	124.0	-	31.3	155.3
Investments in oil and gas assets	-	-	2,640.5	2,640.5
Investment in company accounted for at equity	-	-	60.8	60.8
Long-term deposits	0.5	-	-	0.5
Other long-term assets	237.2	-	256.3	493.5
<b>Total assets</b>	<b>918.2</b>	<b>1.1</b>	<b>2,988.9</b>	<b>3,908.2</b>
<b>Liabilities</b>				
Income taxes payable	-	-	16.3	16.3
Trade and other payables	65.3	0.6	27.3	93.2
Other short-term liabilities	-	-	0.9	0.9
Bonds	1,729.2	-	-	1,729.2
Deferred tax liability	-	-	349.7	349.7
Other long-term liabilities	-	-	68.0	68.0
<b>Total liabilities</b>	<b>1,794.5</b>	<b>0.6</b>	<b>462.2</b>	<b>2,257.3</b>
<b>Total net balance</b>	<b>(876.3)</b>	<b>0.5</b>	<b>2,526.7</b>	<b>1,650.9</b>

### 3. Linkage bases in Dollars in millions, as of 31 December 2023:

	Financial Balances			Total
	In dollars or dollar-linked	In non-linked ILS	Non-financial balances	
<b>Assets</b>				
Cash and cash equivalents	28.5	0.6	-	29.1
Short-term deposits	157.4	0.2	-	157.6
Trade receivables	194.5	-	-	194.5
Other receivables	155.6	-	31.5	187.1
Investments in oil and gas assets	-	-	2,647.3	2,647.3
Investment in company accounted for at equity	-	-	58.4	58.4
Long-term deposits	101.9	-	-	101.9
Other long-term assets	229.2	-	241.1	470.3
<b>Total assets</b>	<b>867.1</b>	<b>0.8</b>	<b>2,978.3</b>	<b>3,846.2</b>
<b>Liabilities</b>				
Other short-term liabilities	-	-	2.2	2.2
Trade and other payables	75.9	0.4	24.8	101.1
Income tax payable	-	-	27.7	27.7
Short-term loan from banking corporation	80.0	-	-	80.0
Bonds	1,735.1	-	-	1,735.1
Deferred taxes	-	-	313.9	313.9
Other long-term liabilities	-	-	73.7	73.7
<b>Total liabilities</b>	<b>1,891.0</b>	<b>0.4</b>	<b>442.3</b>	<b>2,333.7</b>
<b>Total net balance</b>	<b>(1,023.9)</b>	<b>0.4</b>	<b>2,536.0</b>	<b>1,512.5</b>

**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 8 to the financial statements as of 30 June 2024, which are attached below.

**2. Critical accounting estimates**

No material change occurred in the Report Period compared with the report for 2023.



## Part Four – Details of bonds issued by Leviathan Bond Ltd.

Leviathan Bond bond series	2025	2027	2030
Par value on the issue date	600	600	550
Issue date	18 August 2020	18 August 2020	18 August 2020
Par value as of 30 June 2024	600	600	550
Linked par value as of 30 June 2024	600	600	550
Value on the Partnership's books as of 30 June 2024 <sup>2</sup>	590.5	595.8	542.9
TASE value as of 30 June 2024 <sup>3</sup>	581.6	562.4	487.3
Fixed annual interest rate	6.125%	6.500%	6.750%
Principal payment date	30 June 2025	30 June 2027	30 June 2030
Interest payment dates	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 <sup>4</sup>	None		
Conversion right	None		
Right to prepayment or mandatory conversion <sup>5</sup>	Right to prepayment		
Guarantee for payment of the liability	See Note 10B to the financial statements (Chapter C) of the 2023 Periodic Report		
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		
Rating as of the issue date <sup>6</sup>	Fitch Rating: BB stable Moody's: Ba3 Stable S&P: BB- Stable Standard & Poor's Maalot: iIA+ stable		
Rating as of the date of approval of the Condensed	Fitch Rating: BB stable Moody's: Ba3 Negative S&P: BB- Negative Standard & Poor's Maalot: iIA+ Negative		

<sup>2</sup> See Section 3.e of Part One above regarding the bond buyback plan that was adopted by the board.

<sup>3</sup> The bonds are traded in Israel on the "TACT-institutional" system on TASE.

<sup>4</sup> The bonds' principal and interest are stated in dollars.

<sup>5</sup> The financing documents prescribe provisions regarding early redemption of the bonds, including (1) early redemption initiated by the issuer, subject to payment of a prepayment fee (make whole premium); and (2) mandatory early redemption in certain cases that were defined, including by way of a buyback of bonds and/or the issue of a tender offer to all of the bondholders, including upon a sale of all or some of the interests in the Leviathan project.

<sup>6</sup> See the Partnership's immediate reports of 19 August 2020 (Ref. No. 2020-01-090852 and 2020-01-091134) and 23 August 2020 (Ref. No. 2020-01-092247), the information in which is incorporated herein by reference.

<b>Leviathan Bond bond series</b>	<b>2025</b>	<b>2027</b>	<b>2030</b>
<b>Interim Financial Statements<sup>7</sup></b>			
<b>Has the Partnership fulfilled, by 30 June 2024 and during the report period, all of the conditions and obligations under the indenture</b>		Yes	
<b>Is the bond series material<sup>8</sup></b>		Yes	
<b>Have any conditions establishing cause for acceleration of the bonds been fulfilled</b>		No	
<b>Pledges to secure the bonds</b>	See Note 10B to the financial statements (Chapter C) of the 2023 Periodic Report		

<sup>7</sup> In view of the aforesaid regarding the events of the Iron Swords War, the rating agencies have updated the bonds' rating outlook and forecast - see immediate reports of 26 October 2023, 1 November 2023, 6 November 2023, 6 November 2023, 4 March 2024, 18 March 2024, 18 March 2024, 9 April 2024 and 26 June 2024 (Ref.: 2023-01-098338, 2023-01-100228, 2023-01-122076, 2023-01-122103, 2024-01-022044, 2024-01-027651, 2024-01-027663, 2024-01-035209 and 2024-01-064786, respectively), the information in which is incorporated herein by reference.

<sup>8</sup> A series of bond certificates will be deemed material if the total liabilities of the corporation thereunder as of the end of the report period, as presented in the financial statements, constitute five percent or more of the total liabilities of the corporation.

## **Additional information**

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

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

Further to Note 10B to the financial statements as of 31 December 2023 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)**

	30.6.2024	30.6.2023	31.12.2023
	Unaudited		Audited
<b>Assets:</b>			
Current assets:			
Short-term bank deposits	103,802	141	33
Loans to shareholders	599,219	-	-
Related parties	-	99,859	*
	<u>703,021</u>	<u>100,000</u>	<u>33</u>
<b>Noncurrent Assets:</b>			
Loans to shareholders	1,148,620	1,748,486	1,749,034
Long-term bank deposits	-	-	101,411
	<u>1,148,620</u>	<u>1,748,486</u>	<u>1,850,445</u>
	<u>1,851,641</u>	<u>1,848,486</u>	<u>1,850,478</u>
<b>Liabilities and Equity:</b>			
Current liabilities:			
Bonds	600,000	-	-
Related parties	3,802	-	1,444
	<u>603,802</u>	<u>-</u>	<u>1,444</u>
<b>Noncurrent Liabilities:</b>			
Bonds	1,150,000	1,750,000	1,750,000
Loans from shareholders	100,000	100,000	100,000
	<u>1,250,000</u>	<u>1,850,000</u>	<u>1,850,000</u>
Equity (deficit)	<u>(2,161)</u>	<u>(1,514)</u>	<u>(966)</u>
	<u>1,851,641</u>	<u>1,848,486</u>	<u>1,850,478</u>

\* Less than \$1,000



**Statements of Comprehensive Income (Expressed in US\$ Thousands)**

	For the Six Months Ended		For the Three Months Ended		For the Period Ended
	30.06.2024	30.06.2023	30.06.2024	30.06.2023	31.12.2023
	Unaudited				Audited
Financial expenses	62,098	74,624	30,045	35,661	134,437
Financial income	(60,903)	(73,882)	(30,633)	(34,958)	(134,243)
Total comprehensive expenses (income)	1,195	742	(588)	703	194

**SPONSOR FINANCIAL DATA REPORT<sup>9</sup>**

		<b>FOR THREE MONTHS THE PERIOD ENDED 30.6.2024</b>
<b><u>ITEM</u></b>	<b><u>QUANTITY/ACTUAL AMOUNT</u></b>	<b><u>(IN USD\$, ,000)</u></b>
<b>A.</b>	Total Offtake (BCM)	2.8 <sup>10</sup>
<b>B.</b>	Leviathan Revenues (100%)	651,218 <sup>11</sup>
<b>C.</b>	Loss Proceeds, if any, paid to Revenue Account	-
<b>D.</b>	Sponsor Deposits, if any, into Revenue Account	-
<b>E.</b>	Gross Revenues (before Royalties)	266,253
<b>F.</b>	Overriding Royalties	
	(a) Statutory Royalties	(30,333)
	(b) Third Party Royalties	(12,031)
<b>G.</b>	Net Revenues	223,889
<b>H.</b>	<u>Costs and Expenses:</u>	
	(a) Fees Under the Financing Documents (Interest Income)	1,292
	(b) Taxes	(28,905)
	(c) Operation and Maintenance Expenses	(41,707)
	(d) Capital Expenditures	(41,706)
	(e) Insurance (income)	(10,556)
<b>I.</b>	Total Costs and Expenses (sum of Items H(a), (b), (c), (d) and (e))	(121,582)
<b>J.</b>	Total Cash Flows Available for Debt Service (Item G <i>minus</i> Item H)	102,307
<b>K.</b>	Total Cash Flow from operation (Item G minus Items H(c) and H(e))	171,262
<b>L.</b>	Total Debt Service	56,438
<b>M.</b>	<b>TOTAL DISTRIBUTION TO THE SPONSOR</b>	49,000

<sup>9</sup> 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.

<sup>10</sup> Gas quantities from 1.4.2024 until 30.6.2024 for 100% of the Leviathan partners on an accrual basis.

<sup>11</sup> Gas sales from 1.4.2024 until 30.6.2024 for 100% of the Leviathan partners on an accrual basis.

**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 6A to the financial statements attached below and the valuation attached below):

<b>Identification of the object of the valuation:</b>	<b>Royalties in respect of the sale of all of the interests in the Karish and Tanin leases.</b>
<b>Timing of the valuation:</b>	30 June 2024.
<b>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:</b>	Not applicable.
<b>Value of the object of the valuation determined according to the valuation:</b>	A sum of approx. \$284.8 million, which is included under other long-term assets of the Partnership and in the Partnership's short term receivables.
<b>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:</b>	<p>Giza Singer Even Financial Advisory 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 in the most 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.</p> <p>The work was performed by a team headed by CPA Gadi Beer, Head of Economic Division and Corporate Finance and a senior executive at Giza Singer Even. Mr. Beer has expertise and vast experience in corporate finance and financial consultancy. He holds a B.A. in Economics and an MBA from Tel Aviv University.</p> <p>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</p>

<b>Identification of the object of the valuation:</b>	<b>Royalties in respect of the sale of all of the interests in the Karish and Tanin leases.</b>
	<p>“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.</p> <p>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 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.</p>
<b>The valuation model applied by the Valuator:</b>	Discounting expected cash flows while adjusting the discount rates to the risks entailed by the cash flow forecasts.
<b>The assumptions based on which the Valuator prepared the valuation according to the valuation model:</b>	<p>The key assumptions underlying the valuation are as follows:</p> <ol style="list-style-type: none"> <li>1. Period of production from the Karish lease (and Karish North): 1 October 2022 to 31 December 2044;</li> <li>2. Average annual rate of natural gas production from the Karish lease: approx. 3.48 BCM; average annual rate of condensate production from the Karish lease: approx. 4.66 million barrels;</li> <li>3. Period of production from the Tanin lease: 1 January 2030 to 31 December 2041;</li> <li>4. Average annual rate of natural gas production from the Tanin lease: approx. 2.16 BCM; average annual rate of condensate production from the Tanin lease: approx. 0.37 million barrels;</li> <li>5. Royalty component cap rate: 10.6%;</li> <li>6. Effective royalty rate to be paid to the State for the gas and the condensate: 11.06%;</li> <li>7. Gas price formula: The basic price in the contracts according to which the valuation was prepared was estimated</li> </ol>

Identification of the object of the valuation:	Royalties in respect of the sale of all of the interests in the Karish and Tanin leases.
	<p>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;</p> <p>8. Condensate price: The condensate price forecast was estimated based on a long-term oil price forecast average of the World Bank<sup>12</sup> and the EIA<sup>13</sup> and the forward prices of Brent according to Bloomberg data and based on the assumption that the condensate price will be derived from the Brent price with adjustments to oil quality differences;</p> <p>9. On 21 March 2024, Energean released an updated resource report of D&amp;M (the “<b>Updated Report</b>”), 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. 33.4 BCM and the quantity of the hydrocarbon liquids is approx. 53.2 MMBBL; the gas quantity in the Karish North reservoir is approx. 37.0 BCM and the quantity of the hydrocarbon liquids is approx. 40.7 MMBBL; and the gas quantity in the Tanin lease is approx. 25.9 BCM and the quantity of the hydrocarbon liquids is approx. 4.4 MMBBL.</p> <p>10. Petroleum profit levy: According to the Petroleum Profit Taxation Law, 5771-2011;</p> <p>11. Corporate tax rate: 23%.</p>

<sup>12</sup> A World Bank quarterly report: Commodity Markets Outlook, April 2024.

<sup>13</sup> U.S Energy Information Administration: Analysis & Projections, June 2024.





# Financial statements



7 August 2024

To

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

19 Abba Eban, Herzliya

Dear Sir/Madam,

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

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:

Review report of 7 August 2024 on condensed financial information of the Partnership as of 30 June 2024 and for the six- and three-month periods then ended.

Kost Forer Gabbay & Kasierer  
Certified Public Accountants

Ziv Haft  
Certified Public Accountants

**NewMed Energy – Limited Partnership**  
**Condensed Interim Financial Statements as of 30 June 2024**  
**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 30 June 2024. 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 30 June 2024**  
**in U.S. Dollars in Millions**  
**Unaudited**

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## **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 30 June 2024 and the Condensed Statements of Comprehensive Income, Changes in the Partnership's Equity and Cash Flows for the six- and three-month periods 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 periods in accordance with IAS 34 "Interim Financial Reporting", and they are responsible for the preparation of financial information for such interim periods 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 periods 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, 7 August 2024

**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)

	30.6.2024	30.6.2023	31.12.2023
	Unaudited		Audited
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	111.5	69.0	29.1
Short-term deposits	190.0	18.0	157.6
Trade receivables	256.1	204.9	194.5
Trade and other receivables	155.3	128.2	187.1
	<u>712.9</u>	<u>420.1</u>	<u>568.3</u>
<b>Non-current assets:</b>			
Investments in oil and gas assets	2,640.5	2,601.1	2,647.3
Investment in a company accounted for at equity	60.8	58.3	58.4
Long-term deposits	0.5	0.5	101.9
Other long-term assets	493.5	548.1	470.3
	<u>3,195.3</u>	<u>3,208.0</u>	<u>3,277.9</u>
	<u>3,908.2</u>	<u>3,628.1</u>	<u>3,846.2</u>
<b>Liabilities and equity:</b>			
<b>Current liabilities:</b>			
Current maturities of bonds	590.5	-	-
Short-term liability to a banking corporation	-	-	80.0
Income tax payable	16.3	2.1	27.7
Trade and other payables	93.2	110.7	101.1
Other short-term liabilities	0.9	6.3	2.2
	<u>700.9</u>	<u>119.1</u>	<u>211.0</u>
<b>Non-current liabilities:</b>			
Bonds	1,138.7	1,733.0	1,735.1
Deferred taxes	349.7	309.1	313.9
Other long-term liabilities	68.0	74.5	73.7
	<u>1,556.4</u>	<u>2,116.6</u>	<u>2,122.7</u>
<b>Equity:</b>			
Partnership's equity	154.8	154.8	154.8
Capital reserves	(28.2)	(29.0)	(28.6)
Retained earnings	1,524.3	1,266.6	1,386.3
	<u>1,650.9</u>	<u>1,392.4</u>	<u>1,512.5</u>
	<u>3,908.2</u>	<u>3,628.1</u>	<u>3,846.2</u>

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

7 August 2024

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 six-month period ended		For the three-month period ended		For the year ended
	30.6.2024	30.6.2023	30.6.2024	30.6.2023	31.12.2023
	Unaudited				Audited
<b>Revenues:</b>					
From sale of natural gas and condensate	558.5	531.9	295.3	250.8	1,094.4
Net of royalties	79.7	77.5	42.6	36.4	159.8
<b>Revenues, net</b>	<b>478.8</b>	<b>454.4</b>	<b>252.7</b>	<b>214.4</b>	<b>934.6</b>
<b>Expenses and costs:</b>					
Cost of production of natural gas and condensate	87.4	73.0	43.0	34.8	148.6
Depreciation, depletion and amortization expenses	38.3	40.8	19.3	20.9	79.2
Other direct expenses	2.1	1.7	1.3	0.9	5.3
G&A	8.1	11.4	4.9	5.8	20.8
<b>Total expenses and costs</b>	<b>135.9</b>	<b>126.9</b>	<b>68.5</b>	<b>62.4</b>	<b>253.9</b>
The Partnership's share in the income (losses) of a company accounted for at equity	2.4	(1.4)	1.4	(0.1)	(1.3)
<b>Operating profit</b>	<b>345.3</b>	<b>326.1</b>	<b>185.6</b>	<b>151.9</b>	<b>679.4</b>
Financial expenses	(59.0)	(69.1)	(29.4)	(31.9)	(133.8)
Financial income	51.2	26.8	23.8	6.9	28.7
Financial expenses, net	(7.8)	(42.3)	(5.6)	(25.0)	(105.1)
<b>Profit before income taxes</b>	<b>337.5</b>	<b>283.8</b>	<b>180.0</b>	<b>126.9</b>	<b>574.3</b>
Taxes on income	(80.0)	(70.2)	(43.6)	(34.0)	)142.8(
<b>Profit from continuing operations</b>	<b>257.5</b>	<b>213.6</b>	<b>136.4</b>	<b>92.9</b>	<b>431.5</b>
Profit from discontinued operations	0.6	-	0.6	-	2.1
<b>Comprehensive income</b>	<b>258.1</b>	<b>213.6</b>	<b>137.0</b>	<b>92.9</b>	<b>433.6</b>
Basic and diluted profit (loss) per participation unit (in Dollars):					
from continuing operations	0.219	0.182	0.116	0.079	0.368
from discontinued operations	(*)	-	(*)	-	0.001
Profit per participation unit	0.219	0.182	0.116	0.079	0.369
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	1,173,815	1,173,815

\*) Less than \$0.001 per participation unit

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 six-month period ended 30 June 2024:					
Balance as of 31 December 2023 (audited)	154.8	(57.0)	28.4	1,386.3	1,512.5
Comprehensive income	-	-	-	258.1	258.1
Distributed profits	-	-	-	(120.1)	(120.1)
Participation unit-based payment	-	-	0.4	-	0.4
<b>Balance as of 30 June 2024</b>	<b>154.8</b>	<b>(57.0)</b>	<b>28.8</b>	<b>1,524.3</b>	<b>1,650.9</b>

	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 six-month period ended 30 June 2023:					
Balance as of 31 December 2022 (audited)	154.8	(57.0)	27.1	1,162.5	1,287.4
Comprehensive income	-	-	-	213.6	213.6
Distributed profits	-	-	-	(110.3)	(110.3)
Tax advances receivable for previous years	-	-	-	0.8	0.8
Participation unit-based payment	-	-	0.9	-	0.9
<b>Balance as of 30 June 2023</b>	<b>154.8</b>	<b>(57.0)</b>	<b>28.0</b>	<b>1,266.6</b>	<b>1,392.4</b>

	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 30 June 2024:					
Balance as of 31 March 2024	154.8	(57.0)	28.6	1,447.4	1,573.8
Comprehensive income	-	-	-	137.0	137.0
Distributed profits	-	-	-	(60.1)	(60.1)
Participation unit-based payment	-	-	0.2	-	0.2
<b>Balance as of 30 June 2024</b>	<b>154.8</b>	<b>(57.0)</b>	<b>28.8</b>	<b>1,524.3</b>	<b>1,650.9</b>

## 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				
<b>For the three-month period ended 30 June 2023:</b>					
<b>Balance as of 31 March 2023</b>	<b>154.8</b>	<b>(57.0)</b>	<b>27.5</b>	<b>1,223.7</b>	<b>1,349.0</b>
Comprehensive income	-	-	-	92.9	92.9
Distributed profits	-	-	-	(50.0)	(50.0)
Participation unit-based payment	-	-	0.5	-	0.5
<b>Balance as of 30 June 2023</b>	<b>154.8</b>	<b>(57.0)</b>	<b>28.0</b>	<b>1,266.6</b>	<b>1,392.4</b>

	The Partnership's equity	Capital reserve for equity- based financial instruments at fair value against other comprehensive income	Other capital reserves	Retained earnings	Total
	Audited				
<b>For the year ended 31 December 2023:</b>					
<b>Balance as of 31 December 2022</b>	<b>154.8</b>	<b>(57.0)</b>	<b>27.1</b>	<b>1,162.5</b>	<b>1,287.4</b>
Comprehensive income	-	-	-	433.6	433.6
Distributed profits	-	-	-	(210.6)	(210.6)
Tax advances receivable for previous years	-	-	-	0.8	0.8
Participation unit-based payment	-	-	1.3	-	1.3
<b>Balance as of 31 December 2023</b>	<b>154.8</b>	<b>(57.0)</b>	<b>28.4</b>	<b>1,386.3</b>	<b>1,512.5</b>

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 six-month period ended		For the three-month period ended		For the year ended
	30.6.2024	30.6.2023	30.6.2024	30.6.2023	31.12.2023
	Unaudited				Audited
<b>Cash flows – operating activities:</b>					
<b>Profit for the period</b>	<b>258.1</b>	<b>213.6</b>	<b>137.0</b>	<b>92.9</b>	<b>433.6</b>
Adjustments for:					
Depreciation, depletion and amortization	40.6	43.6	20.5	22.3	84.3
Taxes on income	21.5	45.0	14.7	8.8	75.4
Update of asset retirement obligations	(0.4)	5.0	-	(3.1)	(1.3)
Revaluation of short-term and long-term deposits	(2.4)	-	)0.9(	0.3	(0.1)
Revaluation of obligation for participation unit-based payment	0.4	0.6	0.2	(1.6)	1.0
Revaluation of other long-term assets	(42.8)	)15.1(	(19.3)	(3.0)	(8.1)
Partnership's share in losses (profits) of a company accounted for at equity	(2.4)	1.4	(1.4)	0.1	1.3
<b>Changes in assets and liabilities items:</b>					
Decrease (increase) in trade receivables	(61.6)	(5.9)	(30.0)	11.3	4.5
Decrease (increase) in trade and other receivables (including the operator of the joint ventures)	(12.3)	32.7	(28.3)	19.0	(3.1)
Decrease (increase) in other long-term assets	(3.7)	(5.2)	(1.7)	(3.0)	19.0
Increase (decrease) in trade and other payables (including the operator of the joint ventures)	4.4	(12.6)	(27.9)	(26.2)	(29.7)
Increase (decrease) in asset for oil and gas profit levy	-	(17.0)	-	1.1	(17.3)
	<b>(58.7)</b>	<b>72.5</b>	<b>74.1</b>	<b>26.0</b>	<b>125.9</b>
<b>Net cash deriving from operating activities</b>	<b>199.4</b>	<b>286.1</b>	<b>62.9</b>	<b>118.9</b>	<b>559.5</b>
<b>Cash flows - investment activity:</b>					
Investment in oil and gas assets	(46.0)	(61.9)	(17.1)	(37.9)	(136.4)
Investment in other long-term assets	(10.7)	(0.9)	0.3	(0.5)	(13.2)
Royalties based on production from Karish and Tanin leases	25.2	15.7	9.5	9.3	36.7
Repayment of a loan granted to Energean in the context of the sale of Karish and Tanin leases	47.4	13.3	17.4	13.3	13.3
Deposit to long-term deposits	-	-	-	-	(101.4)
Withdrawal from short-term deposits, net	71.5	377.8	3.1	380.4	238.4
Decrease (increase) in other receivables – due to operator of the joint ventures	0.9	(14.9)	0.4	(14.0)	(1.3)
<b>Net cash deriving from investment activity</b>	<b>88.3</b>	<b>329.1</b>	<b>13.6</b>	<b>350.6</b>	<b>36.1</b>
<b>Cash flows - financing activity:</b>					
Profit distributed	(120.2)	(160.3)	(120.2)	(110.0)	(260.6)
Returns received from income tax for previous years	2.9	17.1	2.9	17.1	17.1
Receipt (repayment) of a short-term loan from a banking corporation	(80.0)	-	-	-	80.0
Repayment of bonds and buybacks of bonds	(8.0)	(425.4)	-	(391.5)	(425.4)
<b>Net cash used for financing activity</b>	<b>(205.3)</b>	<b>(568.6)</b>	<b>(117.3)</b>	<b>(484.4)</b>	<b>(588.9)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>82.4</b>	<b>46.6</b>	<b>(40.8)</b>	<b>14.9</b>	<b>6.7</b>
<b>Balance of cash and cash equivalents as of beginning of period</b>	<b>29.1</b>	<b>22.4</b>	<b>152.3</b>	<b>83.9</b>	<b>22.4</b>
<b>Balance of cash and cash equivalents as of end of period</b>	<b>111.5</b>	<b>69.0</b>	<b>111.5</b>	<b>69.0</b>	<b>29.1</b>
<b>Annex A – Non-cash flow investment activity:</b>					
Investments in oil and gas assets against liabilities	42.0	36.6	42.0	36.6	63.0
Long-term investments in other assets against liabilities, net	6.4	1.6	6.4	1.6	5.1
<b>Annex B – Further details on cash flows</b>					
Interest paid (including capitalized interest)	56.8	66.6	56.1	65.8	124.9
Interest received	12.3	12.7	5.4	8.5	17.6
Taxes and levy paid	59.1	42.7	29.9	24.6	53.1

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 1 July 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 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 (the “**Supervisor**”). On 1 July 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.

The parent company of the GP is Delek Energy Systems Ltd, a private company wholly owned by Delek Group Ltd. (the “**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, in Cyprus and in Morocco, 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 (for further details on an exploration license in Morocco, see Note 7C4 to the annual financial statements as of 31 December 2023 (the “**Annual Financial Statements**”), is examining and promoting possibilities for investments in projects in the field of renewable energy, within the collaboration with Enlight Renewable Energy Ltd. (see Note 12N to the Annual Financial Statements), 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. In addition, the Partnership is promoting Phase 1B of the Leviathan reservoir’s development plan, in the context of which on 31 July 2024, the partners in the Leviathan project adopted a decision regarding the performance of FEED and prepurchase of long lead items, with a total budget of approx. \$429 million (100%, the Partnership’s share – approx. \$194.5 million). See Note 3B1(a) below for further details.

- 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 partners in which, as of the date of approval of the financial statements, are the Partnership, Chevron Mediterranean Ltd (“**Chevron**”) and Ratio Energies – Limited Partnership (jointly: the “**Leviathan Partners**”), the piping of gas from which commenced in December 2019. The Leviathan reservoir currently supplies natural gas to several customers in the Israeli and regional market, and among its prominent customers are, *inter alia*, Blue Ocean Energy in Egypt (“**Blue Ocean**”) and the Jordanian national electricity company. In addition to the rights in the Leviathan reservoir, 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, as specified in Note 7 to the Annual Financial Statements.



**Note 1 – General (Cont.):**

**D. The Iron Swords war and its impact on the Partnership's business:**

Further to Note 1E to the Annual Financial Statements regarding the "Iron Swords" war (the "**War**"), as of the date of approval of the financial statements, there is significant escalation in the War against the terrorist organization 'Hezbollah' on the northern border of Israel, as well as against Iran. Accordingly, any further significant escalation, or the outbreak of a full-scale war on these fronts, may have a material adverse effect on the Partnership, its assets and its business. See also Note 4I below regarding the ongoing delays in the works for the laying of the Ashdod-Ashkelon subsea pipeline in the framework of the combined section project.

**E.** The Partnership's Condensed Interim Financial Statements should be read together with 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 financial figures of the joint ventures that are used by the Partnership in the preparation of its financial statements are based, *inter alia*, on documents and accounting data provided by the operator of the joint ventures in Israel, Chevron, and the operator of the joint venture in Cyprus, Chevron Cyprus Ltd. ("**Chevron Cyprus**").

## Notes to the Condensed Interim Financial Statements as of 30 June 2024 (dollars in millions)

## Note 1 – General (Cont.):

- I. The Partnership's income in the report period from the sale of natural gas and condensate 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), by the production and transmission capacity and by the gas price which is partially linked to the Brent oil barrel prices. 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.

	For the six-month period ended		For the three-month period ended		For the year ended
	30.6.2024	30.6.2023	30.6.2024	30.6.2023	31.12.2023
	Unaudited				Audited
<b>Revenues:</b>					
Natural gas	550.2	531.9	288.8	250.8	1,094.4
Condensate	8.3	-	6.5	-	-
	<b>558.5</b>	<b>531.9</b>	<b>295.3</b>	<b>250.8</b>	<b>1,094.4</b>

	For the six-month period ended		For the three-month period ended		For the year ended
	30.6.2024	30.6.2023	30.6.2024	30.6.2023	31.12.2023
	Unaudited				Audited
<b>Revenues:</b>					
Domestic market	63.8	75.8	43.9	24.4	168.6
Regional market	494.7	456.1	251.4	226.4	925.8
	<b>558.5</b>	<b>531.9</b>	<b>295.3</b>	<b>250.8</b>	<b>1,094.4</b>
<b>Quantities of natural gas (BCM)</b>					
Domestic market	0.29	0.43	0.19	0.13	0.93
Regional market	2.17	1.99	1.09	1.00	4.05
	<b>2.46</b>	<b>2.42</b>	<b>1.28</b>	<b>1.13</b>	<b>4.98</b>

**Note 2 - Significant Accounting Policies:**

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

**B. Disclosure to new IFRS standards in the period before implementation thereof**International Financial Reporting Standard 18 - Presentation and Disclosure in Financial Statements

In April 2024, the International Accounting Standards Board (IASB) published International Financial Reporting Standard 18 (IFRS 18) - Presentation and Disclosure in Financial Statements (the "**New Standard**") which replaces International Accounting Standard 1 (IAS 1) - Presentation of Financial Statements ("**IAS 1**"). The purpose of the New Standard is to improve comparability and transparency in financial statements.

The New Standard will include existing requirements of IAS 1 and new requirements for presentation in the statement of profit or loss, including the presentation of amounts and subtotals that are required in accordance with the New Standard, disclosure of management-defined performance measures and new requirements for the aggregation and disaggregation of financial information.

The New Standard does not change the provisions for the recognition and measurement of items in the financial statements. However, since items in the statement of profit or loss will need to be classified into one of five categories (operating, investing, financing, income taxes and discontinued operations) it may change the entity's operating profit. Also, the publication of the New Standard makes minor amendments to other accounting standards, among them IAS 7 - Statement of Cash flows and IAS 34 – Interim Financial Reporting. The New Standard will be retroactively implemented to annual periods commencing on or after 1 January 2027. Early implementation is possible with disclosure. The Partnership is examining the effect of the New Standard, including the effect of the amendments to other accounting standards as a result of the New Standard, on the financial statements.

**Note 3 – Investments in Oil and Gas Assets:****A. Composition:**

	30.6.2024	30.6.2023	31.12.2023
	Unaudited		Audited
<b>Oil and gas assets:</b>			
Ratio Yam (Leviathan project)	2,482.0	2,449.4	2,490.2
<b>Appraisal and exploration assets:</b>			
Block 12 Cyprus	158.5	151.7	157.1
<b>Total</b>	<b>2,640.5</b>	<b>2,601.1</b>	<b>2,647.3</b>



## Note 3 – Investments in Oil and Gas Assets: (Cont.)

## B. Developments in investments in oil and gas assets:

## 1. Ratio-Yam Joint Venture

- a. Further to Note 7C1(c)(2) to the Annual Financial Statements regarding preparation for front-end engineering design (FEED) for expansion of the Leviathan reservoir's production system, for advancement of Phase 1B of the Leviathan reservoir's development plan ("**Phase 1B**"), the purpose of which is to increase the system's total gas production capacity up to ~21 BCM per year, and further to the provisions of Section B below regarding a letter received by the Leviathan Partners from the Petroleum Commissioner at the Ministry of Energy (the "**Commissioner**"), in connection with the possibility to increase the export quantities of natural gas to be produced in Phase 1B, in addition to approval of budgets in total sum of approx. \$75 million (100%, the Partnership's share – approx. \$34 million) for the purpose of such preparation, on 31 July 2024, the Leviathan Partners adopted a decision on the performance of FEED and prepurchase of long lead items with an additional budget in the amount of approx. \$429 million (100%, the Partnership's share – approx. \$194.5 million). The partners in the Leviathan project are also examining the possibility of laying a fourth subsea transmission pipeline from the field to the platform, which will enable a maximum daily production capacity of 2,350 MMCF. The Leviathan Partners intend to complete the FEED and move forward with the purchase of the long lead items, with the aim of adopting a final investment decision (FID) for the development of Phase 1B during H1/2025. To this end, the Leviathan Partners are advancing, *inter alia*, negotiations in various stages with potential customers, in both the domestic and export markets, for the signing of agreements for the sale of natural gas in the framework of Phase 1B. Insofar as an FID is adopted in such timeframe, the expected date for the beginning of production of natural gas in Phase 1B is between mid-2028 and mid-2029. The Leviathan Partners are continuing to examine further possibilities for the construction of an FLNG facility, *inter alia*, in view of the possibility of the expansion of production as aforesaid.
- b. Further to Note 7C1(c)(2) to the Annual Financial Statements regarding in-principle requests delivered by the Leviathan Partners to the Commissioner to approve an increase of the export quantities of natural gas to be produced in Phase 1B of the development plan of the Leviathan project, over and above the current export quantities in the export permits issued in the past, and in accordance with the Government's decisions on the export of natural gas, and without derogating from future requests in connection with natural gas export from the Leviathan project, if any, on 25 June 2024 the Commissioner's response to such requests was received, whereby the position of the professional functions at the Ministry of Energy currently allows additional natural gas export from the Leviathan reservoir in a total quantity of up to 118 BCM, which may increase up to 145 BCM under certain conditions (the "**Commissioner's Letter**"). The Commissioner's Letter further stated that starting from 2044 the export of natural gas from the Leviathan reservoir may only be made on an interruptible basis, subject to assuring the supply to the domestic market, and that export on a firm basis starting from such year will be made possible only after reevaluation of the needs of the domestic market.



**Note 4 – Contingent Liabilities and Engagements:**

- A.** Further to Note 12L1 to the Annual Financial Statements regarding an appeal which was filed by the Partnership and Chevron (in this section: the "**Plaintiffs**") on the judgement received in a claim which was filed thereby with the District Court in Jerusalem against the State of Israel (in this section: the "**Defendant**"), which mainly includes a demand for the restitution of royalties paid by the Plaintiffs, in excess and under protest, to the Defendant, for revenues generated to the Plaintiffs from gas supply agreements, which were signed between natural gas consumers and the partners in the Yam Tethys project (in this section: the "**Appeal**"), the hearing in the Appeal was postponed to 27 April 2025.
- B.** Further to Note 12L3 to the Annual Financial Statements regarding an appeal which was filed by holders of participation units in Avner Oil Exploration - Limited Partnership ("**Avner**") with the Supreme Court on the judgment dismissing the motion for class certification filed by them in connection with the merger transaction between the Partnership and Avner (in this section: the "**Judgement**") against Avner, the general partner and board members in Avner, Delek Group as the (indirect) control holder of Avner, and Price Waterhouse Coopers Consulting Ltd. (in this section: "**PWC**" and the "**Appeal**", respectively), and regarding a counter-appeal filed by PWC on the Judgment, and is conducted in the framework of the Appeal (the "**Counter-appeal**"), on 6 August 2024 the parties filed a motion to postpone the date for filing of the answers to the Appeal and the Counter-appeal up to 22 August 2024.
- C.** Further to Note 12L4 to the Annual Financial Statements regarding a motion for class certification which was filed by a shareholder of Tamar Petroleum Ltd. ("**Tamar Petroleum**") and the Public Representatives Association with the Tel Aviv District Court (Economic Department) against the Partnership, Tamar Petroleum, officers therein and Leader Underwriters (1993) Ltd., in connection with the issue of the Tamar Petroleum shares in July 2017, in April 2024 the trial stage has ended, and according to the instructions issued by the court, all of the summations must be filed by January 2025.
- D.** Further to Note 12L5 to the Annual Financial Statements regarding a class certification motion filed with the Tel Aviv District Court by an electricity consumer (in this section: the "**Petitioner**"), against the Partnership and Chevron (the "**Respondents**"), and against the other Leviathan Partners and the partners in Tamar project (as litigants against which a remedy is not sought), in relation to the competitive process for supply of natural gas held by the IEC and to a possible amendment to the agreement for supply of gas from the Tamar project to the IEC, as agreed by Isramco Negev 2 - Limited Partnership, Tamar Petroleum, Dor Gas Exploration - Limited Partnership and Everest Infrastructure - Limited Partnership, without the Respondents' involvement, on 27 June 2024 the court entered a decision on the parties' agreement – reached pursuant to the court's recommendation – to hold a conciliation aiming to reach a withdrawal arrangement, and on 27 July 2024 the court scheduled a preliminary hearing for 25 September 2024, the purpose of which is to examine the suitability of the case to such conciliation.



**Note 4 – Contingent Liabilities and Engagements: (Cont.)**

- E. Further to Note 12L7 to the Annual Financial Statements regarding a motion for class certification which was filed by a holder of participation units of the Partnership (in this section: 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 (jointly: the "**Respondents**"), claiming that the Respondents refrained from disclosing, in the Partnership's reports, the existence of a clause in the agreements for the sale of natural gas from the Leviathan and Tamar reservoirs to Blue Ocean, according to the court's decision, the Respondents and the Petitioner must file summations and responding summations in 2024, all by 8 October 2024.
- F. Further to Note 12L8 to the Annual Financial Statements regarding a lawsuit filed by Haifa Port Ltd. ("**Haifa Port**") against Chevron, Coral Maritime Services Ltd. and Gold-Line Shipping Ltd. in connection with the payment of handling fees to the port, on 4 June 2024, a pre-trial hearing was held in which various motions filed by the parties were heard, other than Haifa Port's motion to call a customs representative to give the testimony scheduled for 8 October 2024. On 28 July 2024, the court rejected the motions filed by Haifa Port and granted the motion filed by Chevron to call witnesses whom it does not control.
- G. Further to Note 12L9 to the Annual Financial Statements regarding a motion for a discovery and inspection order prior to filing of a derivative claim filed by a holder of participation units of the Partnership (in this section: the "**Petitioner**") against the Partnership, the GP, the CEO of the Partnership, and members of the board of directors of the GP (including the members of the compensation committee) during the relevant period (the "**Discovery Motion**"), claiming that the approval of the current terms of office and employment of the CEO of the Partnership by the compensation committee and the board of directors, "overruling" the position of the general meeting of the holders of participation units of the Partnership, was done against the law, on 4 June 2024 the Petitioner's reply to the Partnership's answer to the Discovery Motion was filed, and that in accordance with the court's decision, the professional functions at the Ministry of Justice may file a position on their behalf by 19 September 2024. The court also scheduled a trial hearing for 18 November 2024. Furthermore, on 23 June 2024, a motion was filed on behalf of the Association of Publicly-Traded Companies (the "**Association**") to join the proceeding as an Amicus Curiae, and according to the court's decision, after the parties' responses to such motion were filed, the Association may file its response to these responses by 11 August 2024. In addition, further to the parties' objection to the consolidation of the hearing of this proceeding with the additional proceedings, on 17 July 2024, the court ruled that the hearings will not be consolidated.
- H. Further to Note 12M4 to the Annual Financial Statements regarding the Ramat Hovav-Nitzana transmission pipeline (the "**Nitzana Project**") in its letter of 16 July 2024 the Natural Gas Commission announced the partners in the Leviathan project that because by 15 July 2024 no exporter had signed a transmission agreement, each of the exporters will receive a re-allocation that will allow them to sign a transmission agreement by a new date that will be set, all as set forth in the Natural Gas Commission's decision no. 3/2023 regarding financing and allocation of capacity in all of the export pipelines (the "**Natural Gas Commission's Decision**"). On 6 August 2024, the partners in the Leviathan project received another letter from the Natural Gas Commission, whereby the allocation for the partners in the Leviathan project in the Nitzana Project remained one third of such pipeline's capacity, such new date was scheduled for 6 October 2024, and exporters which do not sign a transmission agreement will be deemed as having relinquished their capacity in this pipeline, and the capacity that will become available will be offered to the other exporters.

**Note 4 – Contingent Liabilities and Engagements: (Cont.)****H. (Cont.)**

In June 2024, the Leviathan Partners approved an additional preliminary budget for the Nitzana Project, in the amount of approx. \$4.2 million (100% the Partnership's share – approx. \$1.8 million), before undertaking to participate in the project financing, in accordance with the Natural Gas Commission's Decision, and before adopting a final investment decision, if any. As of the date of approval of the financial statements, the Leviathan Partners are negotiating with INGL in order to examine all the commercial terms and conditions in the Nitzana Project and, which on the basis thereof, they are expected to make a decision in relation to their participation in this project. In addition, the Leviathan Partners have begun an initial examination of an alternative transmission-for-export project. It is clarified that there is no certainty regarding the participation of the Leviathan Partners in the Nitzana Project or in the aforesaid alternative project.

- I. Further to Note 12M2 to the Annual Financial Statements regarding approval of preliminary budgets by the Leviathan Partners for the construction of a compressor station and additional related work in the regional transmission system, the Partnership estimates that the investment agreement for the project will be signed by the end of 2024, and closing is expected to take place during H1/2026.
- J. Further to Note 12N1 to the Annual Financial Statements regarding the an agreement to provide transmission services on a firm basis signed between Chevron and INGL, for the purpose of transport of natural gas from the Leviathan and Tamar reservoirs to EMG's terminal in Ashkelon and for its transmission to Egypt (the "**Transmission Agreement**"), further to the ongoing delays in the performance of the work in the combined section project (the Ashdod-Ashkelon marine transmission system, in this section: the "**Project**"), including due to the termination of the work starting from October 2023, on 3 August 2024, a notice was received from INGL whereby INGL has reached agreements with the foreign contractor regarding the terms and conditions of its return in order to complete the construction work in the project and in such context, the foreign contractor undertook to resume performance of the construction work in the first half of November 2024. Furthermore, INGL updated that subject to the foreign contractor's return by the agreed date as aforesaid, the security situation, weather conditions, regulatory and other approvals, the updated forecast for the project's completion is 1 May 2025. Accordingly, on 4 August 2024, Chevron and INGL signed an amendment to the Transmission Agreement whereby, *inter alia*, Chevron will bear, for the share of the partners in the Leviathan and Tamar projects, the amount equal to 56.5% of the additional costs entailed by returning the foreign contractor to Israel and resuming the construction work of the Project, according to updated timetables.
- K. Further to Note 12M1(d) to the Annual Financial Statements regarding a dispute that erupted between the Leviathan Partners and INGL, in relation to the Transmission agreement, on 3 June 2024, Chevron sent INGL a letter constituting a "notice of dispute" in the context of which it stated, *inter alia*, that insofar as the parties fail to reach a suitable solution within the timetable determined in the Transmission agreement, it intends to refer the dispute to arbitration. As of the date of approval of the financial statements, and further to meetings held between the parties, the parties are in the process of appointing agreed arbitrators.



**Note 4 – Contingent Liabilities and Engagements: (Cont.)**

- L. Further to Note 12C to the Annual Financial Statements regarding engagements for the supply of natural gas from the Leviathan project, on 23 May 2024, the Leviathan Partners engaged with Eshkol Power Energies Ltd. (the "**Buyer**") in an agreement for the supply of natural gas (the "**Agreement**") for the production units at the Eshkol site in Ashdod, which the Buyer intends to purchase from the Israel Electric Corporation Ltd. (the "**IEC**"), according to a sale agreement signed thereby with the IEC. According to the Agreement, the Leviathan Partners undertook to supply to the Buyer, on a firm basis, daily quantities of gas with an aggregate annual volume of ~0.5 BCM, which will be used for the two production units in a combined cycle at the Eshkol site (the "**CCGTs**"), starting from the commencement of supply in June 2024, with the transfer of ownership of the power plant from the IEC to the Buyer, until expiration of the agreement on 31 December 2031. The Buyer undertook to take or pay for certain quantities of gas calculated as a percentage of the adjusted annual contract quantity (Adjusted ACQ), subject to circumstances of *force majeure* and other standard terms and conditions. The parties further agreed that the Leviathan Partners will supply to the Buyer, on an interruptible basis, additional quantities of gas that will be used for the four steam production units at the Eshkol site (the "**Steam Units**"), which will operate mainly during hours when the electricity reserves in the market are low, starting from the aforesaid date of commencement of supply, throughout their period of operation (currently expected to continue until 31 December 2026). The Buyer undertook to take or pay for certain quantities of gas for the Steam Units, subject to their actual operation time, the availability of gas and other standard terms and conditions. The sale prices stipulated in the Agreement are linked to the electricity prices for CCGTs, and to the Brent oil price per barrel in relation to the Steam Units, in accordance with the mechanisms and periods as detailed in the Agreement. The said sale prices are stated in dollars and are subject to minimum prices. The Agreement sets forth additional provisions, as is customary in agreements of this type, including on *force majeure*, breach events and indemnification, taxation and fiscal changes, early termination, etc. In June 2024 supply of natural gas to the Buyer has begun according to the Agreement.





**Note 6 – Additional Information (Cont.)**

**A. (Cont.)**

In addition, further to the claim filed by the Partnership against Energean regarding the payment of the balance of the consideration according to the agreement for the sale of the interests in the Leases, and an agreed stipulation between the parties (in this section: the "**Stipulation**"), whereby Energean shall pay the Partnership, in two installments in 2024, a sum total of \$47.4 million, which constitutes the entire balance of the consideration plus agreed annual interest, and final discharge of the parties' claims with respect to the disputes underlying the claim, without any of the parties admitting any of the claims of the counterparty, according to the Stipulation, Energean paid the Partnership the entire consideration as aforesaid.

- B.** On 28 March 2024, the GP's board approved a distribution to the LP in the sum of approx. ILS 0.5 million (approx. \$0.1 million), designated for the payment of the Supervisor's fees and the trustee's fees and expenses, in accordance with the provisions of the Trust Agreement.
- C.** On 23 May 2024, the GP's board approved, after adopting the recommendation of the Financial Statements Review Committee of the GP of the Partnership, the distribution of profits in the sum of approx. \$60 million (\$0.05112 per participation unit of the Partnership), with the record date for the distribution being 3 June 2024. Such distribution of profits has been performed on 20 June 2024. On 7 August 2024, the GP's board approved, after adopting the recommendation of the Financial Statements Review Committee of the GP of the Partnership, the distribution of profits in the sum of approx. \$65 million (\$0.05538 per participation unit of the Partnership), with the record date for the distribution being 25 August 2024. Such distribution of profits will be performed on 5 September 2024.
- D.** Further to Note 10C to the Annual Financial Statements regarding a plan for buyback of the Leviathan Bond Bonds as approved by the board of directors of the GP out of the bond series maturing on 30 June 2025 and/or out of the bond series maturing on 30 June 2027, up to the date of approval of the financial statements, the Partnership has performed buybacks in the sum of approx. \$44 million par value out of the bond series maturing on 30 June 2025 which were issued by Leviathan Bond Ltd., a subsidiary wholly owned by the Partnership, in consideration of approx. \$43 million, which includes the aggregated interest as of the purchase date.
- E.** Further to Note 15B4 to the Annual Financial Statements regarding the understandings being reached with the Ministry of Energy on the royalties audit reports of the Tamar venture for 2013-2018, in July 2024, the Ministry of Energy delivered to the Tamar project operator, final audit reports for 2013-2018 in accordance with such understandings.
- F.** Further to Note 13F to the Annual Financial Statements regarding a shelf prospectus published by the Partnership, the period of the shelf prospectus was extended from 30 May 2024 to 30 May 2025.



**Notes to the Condensed Interim Financial Statements as of 30 June 2024 (dollars in millions)**
**Note 7 – 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 Leviathan Bond bonds (Level 1) issued as stated in Note 10B to the Annual Financial Statements:

	Fair value	Book value
As of 30 June 2024 (Unaudited)	1,632.6	1,729.2
As of 30 June 2023 (Unaudited)	1,680.2	1,733.0
As of 31 December 2023 (Audited)	1,652.1	1,735.1

- B. 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:

	30.6.2024			
	Level 1	Level 2	Level 3	Total
	Unaudited			

**Financial assets at fair value through profit or loss:**

Royalties based on future production from the Karish and Tanin leases (see Note 8B to the Annual Financial Statements)	-	-	284.8	284.8
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	30.6.2023			
	Level 1	Level 2	Level 3	Total
	Unaudited			

**Financial assets at fair value through profit or loss:**

- Royalties based on future production from the Karish and Tanin leases (see Note 8B to the Annual Financial Statements)	-	-	315.8	315.8
- Loan to Energean in the framework of the sale of the Karish and Tanin leases (see Note 8B to the Annual Financial Statements)	-	41.4	-	41.4
<b>Total financial assets at fair value through profit or loss</b>	-	41.4	315.8	357.2

## Notes to the Condensed Interim Financial Statements as of 30 June 2024 (dollars in millions)

## Note 7 – Financial Instruments (Cont.):

- B. 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: (Cont.)

	31.12.2023			
	Level 1	Level 2	Level 3	Total
Unaudited				
<b>Financial assets at fair value through profit or loss:</b>				
Royalties based on future production from the Karish and Tanin leases (see Note 8B to the Annual Financial Statements)	-	-	273.2	273.2
- Loan to Energean in the framework of the sale of the Karish and Tanin leases (see Note 8B to the Annual Financial Statements)	-	46.2	-	46.2
<b>Total financial assets at fair value through profit or loss</b>	<b>-</b>	<b>46.2</b>	<b>273.2</b>	<b>319.4</b>

- C. An adjustment due to fair value measurements classified at level 3 in the fair value scale of financial instruments:

	For the six-month period ended 30 June	
	2024	2023
Unaudited		
<b>Balance as of 31 December (audited)</b>	<b>273.2</b>	<b>320.8</b>
Revenues	(27.3)	(16.0)
Remeasurement recognized in profit or loss	38.9	11.0
<b>Balance as of 30 June</b>	<b>284.8</b>	<b>315.8</b>

	For the three-month period ended 30 June	
	2024	2023
Unaudited		
<b>Balance as of 31 March</b>	<b>282.2</b>	<b>324.9</b>
Revenues	(15.2)	(9.6)
Remeasurement recognized in profit or loss	17.8	0.5
<b>Balance as of 30 June</b>	<b>284.8</b>	<b>315.8</b>

## Note 7 – Financial Instruments (Cont.):

## C. (Cont.)

	For the year ended 31 December 2023
	Audited
<b>Balance as of 31 December</b>	<b>320.8</b>
Revenues	(42.6)
Remeasurement recognized in profit or loss	(5.0)
<b>Balance as of 31 December</b>	<b>273.2</b>

## Note 8 – Material Subsequent Events

1. See Note 3B1(a) for details regarding a decision on the performance of FEED in Phase 1B of the development plan of the Leviathan reservoir.
2. See Note 3B3 for details regarding the granting of the Boujdour Atlantique exploration license by the Ministry of Energy Transition and Sustainable Development in Morocco.
3. See Note 6C for details regarding the approval of the GP's board of the distribution of profits in the sum of approx. \$65 million.

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

*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, under the supervision of the board of directors of NewMed Energy Management Ltd., the general partner of NewMed Energy – Limited Partnership (the "GP" and the "Partnership", respectively), 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 quarterly report on the effectiveness of the internal control over financial reporting and disclosure, which was attached to the quarterly report for the period ended 31 March 2024 (the "**Latest Quarterly Report on Internal Control**"), the internal control was found to be 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 Quarterly Report on Internal Control.

As of the date of the report, based on the provisions of the Latest Quarterly 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 Q2/2024 (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 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 quarterly report for the period ended 31 March 2024) 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.

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7 August 2024

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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 Q2/2024 (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 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 quarterly report for the period ended 31 March 2024) 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.

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7 August 2024

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Tzachi Habusha, VP Finance



# Valuation



GIZA SINGER EVEN

## **NewMed Energy - Limited Partnership**

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

**\*\*\*\***

**August 2024**

*This document is a translation of the original Hebrew-language document by Giza Singer Even Ltd. 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

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## 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<sup>1,2</sup> (“**NewMed Energy**” and/or the “**Partnership**”) is entitled for the sale of its interests in the leases I/16 “**Tanin**” and I/17 “**Karish**” (the “**Tanin Royalties**” and the “**Karish Royalties**”, respectively, and collectively: the “**Royalties**”) as of 30 June 2024 (the “**Valuation Date**”). We are aware that the Paper is intended to be used by NewMed Energy, *inter alia*, for 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.

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<sup>1</sup> On 17 May 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.

<sup>2</sup> On 22 February 2022, the Partnership changed its name from “Delek Drilling – Limited Partnership” to “NewMed Energy – Limited Partnership”.



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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 including the accuracy and integrity of the data and 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.

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.

## 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 (the "Leases").
- Reports and publications released by Energean plc<sup>3</sup> (the parent company of Energean Israel Limited<sup>4</sup>), including a resources and reserves report as of 31 December 2023 prepared by DeGolyer and MacNaughton and released on 21 March 2024 ("D&M CPR").

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<sup>3</sup> Formerly, Energean Oil & Gas plc.

<sup>4</sup> Formerly, Ocean Energean Oil and Gas Ltd.



**GIZA SINGER EVEN**

- 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**

GSE 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 Beerli, Head of the Economic Department and Corporate Finance and a senior partner at Giza Singer Even. Gadi Beerli 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,

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Giza Singer Even Financial Advisory Ltd.  
7 August 2024





GIZA SINGER EVEN

## 2. Executive Summary

### 2.1 Background

NewMed Energy is a limited partnership (in the meaning thereof in the Partnerships Ordinance) listed on the Tel Aviv Stock Exchange (TASE). The Partnership engages mainly in exploration, development, production and marketing of natural gas, condensate and petroleum.

During the years 2012 and 2013 the Partnership reported to TASE that the Karish and Tanin 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**") and Chevron Mediterranean Ltd.<sup>5</sup> ("**Chevron**") were required, *inter alia*, to sell their holdings in the Leases within 14 months of the signing date of the exemption resolutions related to the Gas Framework (17 December 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 16 August 2016, an agreement was executed between the Partnerships and Energean for the sale of all of the interests in the Leases, in consideration for approx. \$148.5 million, of which approx. \$40 million were paid on the date of the transaction closing and \$108.5 million will be paid divided into 10 equal annual installments plus interest, according to the mechanism set in the agreement (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,<sup>6</sup> by which the Partnerships are charged regarding the original share of NewMed Energy and Avner in the leases (the "**Royalties**").

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<sup>5</sup> As of the decision date, NewMed Energy and Avner jointly held 52.941% of the reservoirs (in equal shares) and Chevron Mediterranean held 47.059% of the reservoirs.

<sup>6</sup> As defined in the reports of NewMed Energy and Avner to the TASE on 25 December 2016.



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 the D&M CPR<sup>7</sup> as of 31 December 2023:

Reservoir	Reserves and Resources	
	Natural Gas (BCM)	Hydrocarbon Liquids (MMBBL)
	2P	2P
Karish	33.4	53.2
Karish North	37.0	40.7
Tanin	25.9	4.4
<b>Total</b>	<b>96.3</b>	<b>98.3</b>

## 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 cap rate to the risks embodied in the development of the reservoirs and the cash flow. According to the assumptions specified in the Paper itself, the total value of the Royalties as of 30 June 2024 was estimated at approx. \$284.8 million (the value of the Karish Royalties (including Karish North) and the Tanin Royalties were estimated at approx. \$233.5 million and approx. \$51.3 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 Rate (in Base Points)	+250 bp	244.1	262.9	276.2	257.5	269.7	284.8	301.2
	+150 bp	253.2	272.6	286.2	267.8	280.2	295.9	313.1
	+50 bp	263.0	283.1	297.1	278.9	291.6	308.0	326.0
	-	268.2	288.6	302.9	<b>284.8</b>	297.7	314.4	332.8
	-50 bp	273.7	294.4	308.9	291.0	304.0	321.1	340.0
	-150 bp	285.3	306.8	321.7	304.3	317.6	335.4	355.4
	-250 bp	298.0	320.3	335.7	318.7	332.4	351.1	372.2

<sup>7</sup> <https://www.energean.com/media/5770/energean-israel-cpr.pdf>



### **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 public 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 natural gas, condensate and petroleum in Israel and Cyprus and in the development of various natural gas-based projects in order to increase the sale volume of the natural gas produced by the Partnership. 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 (~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 (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 7 February 2012, and on 22 May 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 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. Note that in May 2017, Avner merged with and into NewMed Energy and consequently Avner was stricken off without dissolution.

On 16 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 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.



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On 14 November 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 17 December 2015, the then Prime Minister (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 16 August 2016, an agreement for the sale of all of the interests in the Leases was signed between the Partnerships and Energean Israel Ltd. (formerly Ocean Energean Oil and Gas Ltd.), a company registered in Cyprus which is a subsidiary of Energean Plc. 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 27 December 2016, the Partnerships announced that the closing conditions for the transaction were fulfilled. On 27 March 2018, Energean notified the Partnerships of the adoption of an investment decision for the development of the Karish reservoir. In addition, on 14 January 2021, Energean reported the adoption of a Final Investment Decision (FID) in the "Karish North" reservoir.

On 25 October 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 the Partnerships all of their interests and Chevron's interests in the Leases (the "**Sold Interests**").



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- b. In consideration for the Sold Interests, the Buyer will pay the Partnerships the amount of approx. \$148.5 million which will be received in the following manner:
- i. Cash payment of \$40 million which was paid to the Partnerships on the transaction closing date;
  - ii. The consideration balance, in an amount of \$108.5 million, will be paid to the Partnerships divided into ten equal annual 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<sup>8</sup>;
  - iii. The Buyer will transfer to the Partnerships 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<sup>9</sup> borne by the Partnerships 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.

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<sup>8</sup> On 27 March 2018, Energean notified the Partnerships of the adoption of an investment decision for the development of the Karish reservoir, and from March 2018, Energean began to make the annual payments as aforesaid. For more information, see Section 4.6.2.

<sup>9</sup> As defined in the reports of NewMed Energy and Avner to TASE on 25 December 2016.



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## 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 Ltd. ("**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, 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,<sup>10</sup> shorter construction time, smaller areas of land<sup>11</sup> 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<sup>12</sup>. According to the estimates of the Natural Gas Authority for 2023<sup>13</sup>, most of the domestic demand for natural gas derived from the electricity sector, total consumption by which in 2023 amounted to ~10.4 BCM, which represents ~80% of the demand for natural gas. The rest of demand for natural gas is attributed to the industrial sector, total consumption by which in 2023 amounted to ~2.7 BCM.

- **Clean energy** – The main substances emitted from the burning of natural gas are carbon dioxide and water vapor. Coal and petroleum are more complex fuels, *inter alia*, because they have higher carbon ratios, and nitrogen and sulphur components. Therefore, when they burn, more contaminants are released, including ash particles of substances which are not burned and are consequently 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 somewhat reduced between the years 2008 and 2012 upon the commencement of import 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

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<sup>10</sup> 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.

<sup>11</sup> 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.

<sup>12</sup> 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 ~80%.

<sup>13</sup> [Review of Developments in the Natural Gas Sector, Summary as of 2023 – Natural Gas Authority](#)



and from the VAT from the 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<sup>14</sup>. Furthermore, according to the Petroleum Law, the State charges royalties at a rate of up to 12.5% of the market value 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 ~47% (deriving, *inter alia*, from 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 13 June 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.<sup>15</sup>

#### 4.1.1 Iron Swords War

On 7 October 2023, the terrorist organization "Hamas" launched a murderous attack on Israel, targeting in particular communities and military bases in the south of the State of Israel. Further to the attack, the Israeli government declared the Iron Swords war against the terrorist organization as aforesaid (the "**War**").

Since the outbreak of the War, the IDF has also been engaged in ongoing conflicts with the Hezbollah terrorist organization along Israel's northern border. As a result of these confrontations, since the beginning of the War, northern Israel has been suffering from attacks by rocket, UAVs, and anti-tank missiles near the border.

As of the date of approval of the financial statements, the War is in full swing, and it is not possible to foresee how long it will last and what its implications will be on the Partnership, its business and its assets.

Shortly after the outbreak of the War, gas production from the Tamar reservoir was discontinued according to the government's order. No such order was given for the Leviathan and Karish reservoirs. As a result of the discontinuation of production from the Tamar

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<sup>14</sup> Other than the electricity and industrial sectors in which consumers do not pay excise tax for the gas.

<sup>15</sup> For more information on the export of gas from Israel, see Section 4.5.3.





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reservoir as aforesaid, the Leviathan partners supplied natural gas also to several customers of Tamar reservoir in the domestic market, primarily the IEC Ltd. and consequently, the quantity of natural gas directed for export to Egypt was reduced during the shutdown period. Note that on 9 November 2023, the Ministry of Energy notified the Tamar reservoir operator that the Tamar reservoir may be reactivated. As of the Valuation Date, the production activity from the Leviathan, Tamar and Karish reservoirs continues as usual.

Due to the War and its consequences, the credit rating agencies Moody's and S&P downgraded the credit rating of the State of Israel in February and April 2024, respectively. Additionally, in October 2023, the rating agency Fitch changed the credit rating outlook of the State of Israel from stable to negative.

## 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 (the “**PUA-E**”), *inter alia*, regarding the costs of inputs for electricity production, and in particular, the costs of natural gas. In 2023, the IEC purchased ~4.73 BCM of natural gas from the Tamar and Leviathan partners and from the Karish reservoir, compared to 2022 in which it purchased ~4.82 BCM of natural gas from the Tamar and Leviathan partners and also imported and consumed another ~0.1 BCM of natural gas. In such context it is noted that according to the decision of the Minister of Energy by the end of 2022 the IEC was required to end the engagement with the regasification vessel used for reception and regasification of imported LNG. Accordingly, on 8 December 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<sup>16</sup>. 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 ~1,200 MW/h. As of the date of this report, one of such power plants is in the pre-commercial-operation running-in phase, while operation of the second plant is expected during 2025. These plants are expected to increase the demand for gas in the Israeli market, in parallel with the discontinuation of coal use scheduled for 2026. As part of the IEC's preparations for the discontinuation of coal usage, the IEC is working on the conversion to gas of the 4 production units at the Rutenberg Station in Ashkelon. However, the conversion of the first of such four units has been completed and that unit has been gas-fired (for pre-commercial-operation running-in purposes) since July 2023.

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<sup>16</sup> Source: IEC's financial statement for 2023.



On 9 August 2023, fire was ignited using gas for the first time in the first unit on the Rutenberg site as part of the quality assurance of the systems, in preparation for completing its conversion to gas. However, the IEC estimates that this phase is expected to take longer in view of the War.

As of 31 December 2023, ~53.5% of the IEC's total installed production capacity is through units that may be operated by natural gas.

In 2023, ~62.9% of IEC's total power was produced using natural gas, compared with ~56.9% in 2022.

- **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<sup>17</sup>, 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 2023, the natural gas consumption of IPPs and cogeneration facilities amounted to ~5.6 BCM, which represents ~43% of the overall consumption of natural gas in that year in the entire market. The IPPs’ natural gas-fired production in 2022 amounted to ~6.4 GW, which constitute ~59% of the total power produced using natural gas.
- **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 or through gas-heated boilers for the production of steam), 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 2023, natural gas consumption by the industrial sector amounted to ~2.7 BCM, an increase of ~0.1 BCM compared to gas consumption in 2022.
- **Medium and small consumers** – The distribution networks’ consumers sector which includes mainly medium and small enterprises and businesses, is a relatively new sector

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<sup>17</sup> In this technology, power is not produced but the energy is stored for use during peak hours or hours where it is not possible to produce power from renewable energies.



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. 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 resources in Israel, including oil and natural gas, 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<sup>18</sup>. The Tamar partners paid and pay advances on account of royalties to the State at the rate of 11.65% in the years 2017-2018, 11.3% in the years 2019-2022 and 11.06% in the years 2023-2024. In the Leviathan reservoir, the partners paid advances on account of royalties to the State of Israel at the rate of ~11.26% in the years 2020-2022, and ~11.06% in the years 2023-2024.

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<sup>18</sup> 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.



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. Further to the aforesaid, on 6 September 2020, the Ministry of Energy published specific instructions for the Tamar reservoir<sup>19</sup> and on 24 July 2022, the Ministry of Energy published specific instructions for the Leviathan reservoir.

According to the 2023 (unaudited) Revenues Report of the Natural Resources Administration at the Ministry of Energy<sup>20</sup>, revenues of about ILS 2.1 billion from the natural gas royalties were recorded, reflecting an increase of ~23.8% compared with the revenues in 2022. The increase in total royalties was due to an increase in the amount of natural gas production from the reservoirs in Israel, including an increase in the amount of production for export, commencement of regular production from the Karish reservoir, as well as an increase in the dollar exchange rate.

In 2023, ~24.7 BCM (13.1 BCM for the domestic market and 11.6 BCM for export) were produced from the Tamar, Leviathan and Karish reservoirs, compared with ~21.9 BCM (12.7 BCM for the domestic market and 9.2 BCM for export) produced in 2022, an increase of ~13%.

The rate of increase in total royalties in 2023 was higher than the total rate of increase in production mainly due to an increase in production amounts for export as well as an increase in the dollar exchange rate, which affected the amounts of royalties in shekel terms.

Production from the Karish reservoir began at the end of October 2022. The total royalties that were collected in 2023 totaled approx. ILS 390.7 million from the production of ~4.92 BCM and ~3.49 million barrels of petroleum<sup>21</sup>. Revenues from royalties from the Karish reservoir that originate from the production of natural gas for the domestic market, totaled approx. ILS 280 million (about 71.7% of the total production), while the remaining revenues from royalties originate from petroleum exports.

- **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 and the total accrued investments, net, as the same are defined in the law (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

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<sup>19</sup> [https://www.gov.il/BlobFolder/policy/oil\\_search\\_publications/he/tamar\\_royalty.pdf](https://www.gov.il/BlobFolder/policy/oil_search_publications/he/tamar_royalty.pdf)

<sup>20</sup> [Revenues Report of the Natural Resources Administration– Royalties, Accounting and Economics Division, the Ministry of Energy and Infrastructure.](#)

<sup>21</sup> The gas volume released by the State in the Revenues Report of the Natural Resources Administration is different than the gas volume released by Energean.



will increase gradually to a rate of ~47% (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 10 November 2021, the Knesset approved in the second and third reading a bill which prescribes, *inter alia*, rules on payment of disputed assessments.<sup>22</sup>

- **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 17 December 2015 upon the grant of an exemption from several provisions of the Economic Competition Law, 5748-1988.  
The Gas Framework granted an exemption to the Partnership, 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 granted an exemption with respect to specific powers of the Commissioner (power to 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 the Partnership and Chevron being holders of a monopoly by virtue of the declaration thereon by the Commissioner in 2012 (the “**Exemption**”)<sup>23</sup>.
- **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 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

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<sup>22</sup> 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>

<sup>23</sup> 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 (13 November 2012) Restrictive Trade Practices 500249.



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limited to the imposition of reporting requirements regarding profitability and the gas price. Therefore, 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. However, starting from Q1/2023, the Gas Authority resumed publication of the weighted price of natural gas in the Israeli market, without thereby imposing a duty on the partners in the gas reservoirs to offer such price to their customers.

On 1 June 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 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 PUA-E 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 Tanin reservoir and the economic merit in the development thereof. At the same time, according to Energean's reports, the sale price in the agreements includes 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. 10.1% and ~12.5% of actual power production in the State of Israel in 2022 and 2023, 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 electricity production from renewable sources of ~20% of the total demand for energy in 2025, and 30% by 2030<sup>24</sup>. 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 last two decades, several significant gas reservoirs were discovered 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. 2017 saw the commencement of substantial production from the Egyptian “Zohr” reservoir, which supplies gas to the domestic Egyptian market and in recent years, significant reservoirs were discovered in the EEZ of Cyprus, for which reservoirs development decisions have yet to be made.

In Israel, exploration licenses in the EEZ were granted following two competitive processes (in 2017 and 2019), and in 2022, the Ministry of Energy published another competitive process for receipt of exploration licenses (in this section below, the "**Process**")<sup>25</sup>. In the context of the Process, four zones of exploration licenses were offered. In some of the zones, exploration licenses have already been given in the past, and seismic surveys and other exploration activities have already been performed in them, attesting to a possible potential for discovery of hydrocarbon reservoirs. According to the Process principles, the exploration license will be given for a 3-year period, after which the license holder may request an extension of two additional years and thereafter, of two more years (7 years in total), when specific conditions are met. In addition, in the context of the Process, exploration licenses will only be given in areas that are far from the coast, at a distance

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<sup>24</sup> “Status Report – Renewable Energy Targets in the Electricity Sector” – the Electricity Authority, June 2023: [https://www.gov.il/BlobFolder/generalpage/doch\\_pv\\_27022024\\_2023/he/Files\\_Pirsumei\\_Hareshurt\\_old\\_doc\\_h\\_pv\\_2023\\_27022024.pdf](https://www.gov.il/BlobFolder/generalpage/doch_pv_27022024_2023/he/Files_Pirsumei_Hareshurt_old_doc_h_pv_2023_27022024.pdf)

<sup>25</sup> [https://www.gov.il/he/departments/news/press\\_131222](https://www.gov.il/he/departments/news/press_131222)



greater than at least 40 km. On 16 July 2023, the bidding phase of the Process ended, during which 6 gas exploration bids were received. The bids were submitted by 4 different groups comprised of 9 companies in total, 5 of which are new companies operating in Israel. According to the terms and conditions of the Process, the new companies will be given priority over the existing companies in receiving the exploration licenses. On 29 October 2023, the Ministry of Energy and Infrastructure announced the winners in two of the four zones that were offered. According to the announcement, 12 exploration licenses will be given to 6 companies, of which 4 are new companies in the Israeli energy sector. In the first zone, licenses will be given to the partnership NewMed Energy, to the British energy company BP, and to Azerbaijan's national petroleum company SOCAR (as an operator). In the second zone, licenses will be given to the Italian energy company ENI (as an operator), to Dana Petroleum (a Korean-owned Scottish company) and to Ratio.

- **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 Tanin reservoir 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 25 October 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 6 January 2019, the Government approved the recommendations of the Adiri Committee in Government Resolution 4442<sup>26</sup>. On 13 October 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<sup>27</sup>. On 26 June 2024, NewMed Energy reported that the Petroleum Commissioner at the Ministry of Energy granted the partners in the Leviathan reservoir an in-principle approval, as of now, to export additional natural gas from the Leviathan reservoir in a total quantity of up to 118 BCM, which may increase to up to 145 BCM under certain conditions.
- **Dependence on the proper function of the national transmission system** – The ability to supply the gas produced from the reservoirs to potential consumers is dependent, *inter alia*, on the development of the systems to meet market demands according to the

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<sup>26</sup> Website of the Ministry of Energy, Spokesman's Notice of 10 January 2019:

[https://www.gov.il/he/departments/news/ng\\_060119](https://www.gov.il/he/departments/news/ng_060119)

<sup>27</sup> For more information about the existing demand and regulation on the export side, see Section 4.5.3.





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schedules, as well as on maintaining the proper function of the national gas transmission system and the regional distribution networks.

- **Dependence on contractors and on professional service and equipment providers** – As of the Valuation Date, there are no contractors in Israel that perform most of the work required for the construction and operation of natural gas and oil reservoirs. Therefore, the companies operating in the sector depend on foreign contractors for the performance of such work, especially during wartime. Furthermore, the number of facilities that are capable of drilling and performing development activities offshore, in general, and in 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.



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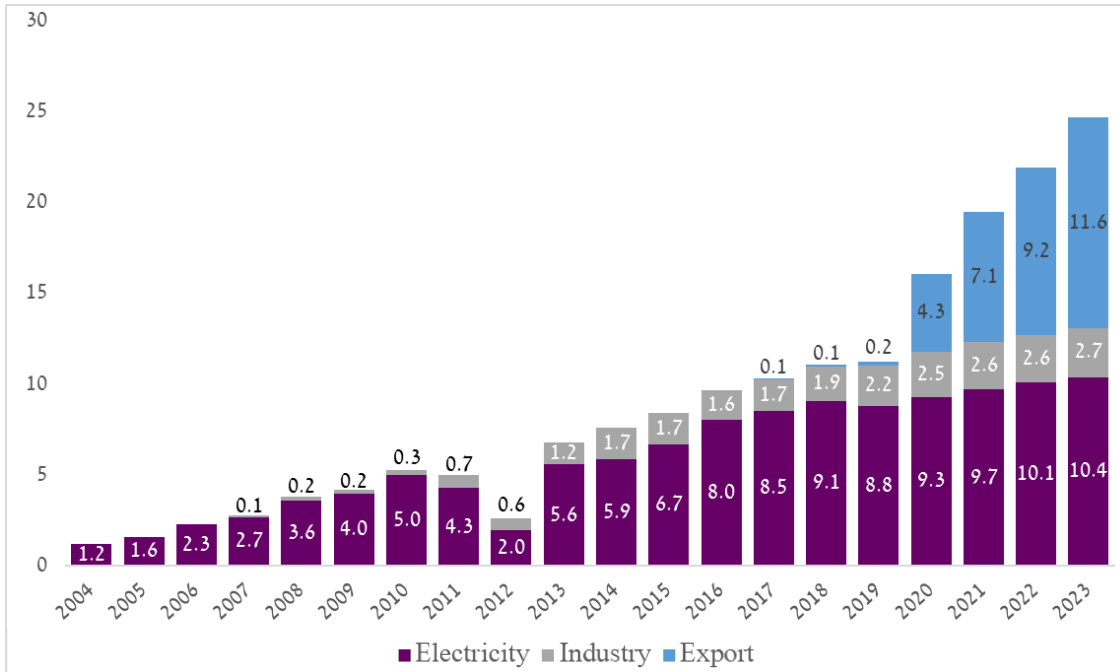
- **Applicable environmental regulation** – The companies that operate in the natural gas sector are subject to a range of laws, regulations and directives on the issue of environmental protection, which relate to various matters such as: leaking of oil, natural gas or of other pollutants into the marine 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 2004-2023 in BCM per year<sup>28</sup>**



The production of natural gas in the Israeli market in 2023 (including export of Israeli gas to neighboring countries) amounted to ~24.7 BCM, reflecting an increase of ~12.8% compared with the consumption in 2022. Approx. 45% of the amount was supplied from the Leviathan reservoir, ~37% of the amount was supplied from the Tamar reservoir and ~18% of the amount was supplied from the Karish-Tanin reservoir. The consumption in the domestic market (which consumption is comprised of industry and electricity) increased to 13.1 BCM, reflecting an annual increase of 3%, and the export increased to 11.6 BCM, reflecting an annual increase of 26% compared with 2022. From 2004 until the end of 2023, a total quantity of ~176 BCM of natural gas was produced. The Natural Gas Authority estimates that the upward trend in natural gas consumption will also 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<sup>29</sup>, in June 2021 the natural gas consumption in Israel (excluding export to neighboring countries) in 2025

<sup>28</sup> Source: Review of the developments in the natural gas sector, 2022 summary, Natural Gas Authority <https://www.gov.il/BlobFolder/news/news-140523/he/ng-2022.pdf>

<sup>29</sup> 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](https://www.gov.il/BlobFolder/rfp/ng_210621/he/ng_report_2_draft.pdf)



is expected to amount to ~15.7 BCM and in 2030 to ~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 (~2.13% per year), an average increase in industry (~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. As of 31 December 2023, the IEC has nine units of gas turbines in a combined cycle ("CCGT"), sixteen units of jet gas turbines and nine units of industrial gas turbines<sup>30</sup>. 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 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 plant sites, which included, *inter alia*, the shutdown of units 1-4 in the coal power plant at the Orot Rabin site, no later than 1 June 2022.
- 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.

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<sup>30</sup> A turbine operated by industrial jet engines, powered by diesel fuel with the option of converting to work with natural gas.



- 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 15 March 2019 by ~125% in view of the government's policy to reflect external costs of fuels and encourage the expansion of use of natural gas. On 17 April 2024, the Tax Authority announced that effective from 1 May 2024, excise tax will be ILS 115.65 per ton of coal<sup>31</sup>.
- In June 2018, a government decision was adopted to implement a reform in the electricity market and a restructuring of the IEC (Resolution No. 3859). According to the reform, a plan was formulated under which the IEC would sell various power plants, and build and operate two new natural gas-fired power plants, to replace units 1-4 of the Orot Rabin Power Plant. Aside from these, the IEC would not be permitted to build new power plants or upgrade existing plants. The reform also established principles for maintaining the IEC's activities in the transmission and distribution segments, and principles for gradually opening up the supply segment to competition.
- 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.

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<sup>31</sup> Source: [Website of the Tax Authority – https://www.gov.il/he/departments/general/heshavon31819](https://www.gov.il/he/departments/general/heshavon31819)



- On 24 June 2020, the Minister of Energy<sup>32</sup> announced his decision to further reduce ~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 25 October 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 8 February 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.<sup>33</sup>
- On 18 April 2021, the Ministry of Energy released a Road Map<sup>34</sup> 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.
  - 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.
- According to the PUA-E's Electricity Sector Status Report for 2022, the total Installed capacity of the IEC's natural gas-fired production facilities in 2022 was ~47%. This figure is expected to increase significantly to ~84% of the IEC's total capacity in 2025.<sup>35</sup>

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<sup>32</sup> Website of the Ministry of Energy, Spokesman's Notice of 24 June 2020:

[https://www.gov.il/he/departments/news/press\\_240620](https://www.gov.il/he/departments/news/press_240620)

<sup>33</sup> <https://www.calcalist.co.il/local/articles/0,7340,L-3892470,00.html>

<sup>34</sup> [https://www.gov.il/he/departments/publications/reports/energy\\_180421](https://www.gov.il/he/departments/publications/reports/energy_180421)

<sup>35</sup> Source: Electricity Sector Status Report, September 2023 – Electricity Authority:

[https://www.gov.il/BlobFolder/generalpage/dochmeshek/he/Files\\_Netunei\\_hashmal\\_doch\\_s\\_2022\\_nnn.pdf](https://www.gov.il/BlobFolder/generalpage/dochmeshek/he/Files_Netunei_hashmal_doch_s_2022_nnn.pdf)



- On 13 August 2023, following the policy to discontinue the use of coal, the Ministry of Energy and Infrastructure announced that the Natural Gas Authority at the Ministry of Energy and Infrastructure approved the conversion to gas of the two new electricity production units at the Orot Rabin Power Plant (CCGT 70 and CCGT 80) which are expected to be the first two units to be powered by gas at the Plant.<sup>36</sup>
- According to the IEC's quarterly report for the period ended 30 September 2023, in June 2023, CCGT 70 was activated for purposes of operation tests and running-in (before commercial operation) and in August 2023, the CCGT's fire was ignited for the first time and it was synchronized with the grid. However, due to the eruption of the Iron Swords war and the security situation, GE gave notice of evacuation of some of its employees and subcontractors from Israel and also, approval from the system manager – Noga Ltd. – to reach a stated load that is necessary for continuing to perform the acceptance tests in CCGT 70 was not received. In view of the aforesaid, the IEC estimates that the current forecast for commercial operation of CCGT 70 is at least 4 months after the required foreign experts return to Israel, but not before May 2024. In addition, against the backdrop of the above-described circumstances, at this stage it is not possible to provide a projection for stable operation and commercial operation of CCGT 80. The introduction of the new production units will enable the shutdown of the four coal-fired production units in the Orot Rabin Power Plant and their inclusion in a conservation plan.<sup>37</sup>
- According to IEC's annual report for the period ended 31 December 2023, ~53.5% of IEC's total installed production capacity is through units that can be operated with natural gas.<sup>38</sup>

#### 4.5.2 Transition to use of natural gas in industry

- Natural gas is a central component of the industry's energy consumption (~32.5% of the total use of fuels in Israeli industry in 2020)<sup>39</sup>. 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 2023, ~660 km of distribution pipelines have been laid out to date throughout Israel (~32 km of which in 2022) and ~900 km of transmission pipelines. An expansion of the natural gas distribution network may enable the connection to the network, by 2030, of hundreds of potential industrial consumers

<sup>36</sup> Source: <https://www.gov.il/he/departments/news/news-130823>

<sup>37</sup> Source: [https://iecontent.iec.co.il/media/hinjaffd/meshulav0623\\_isa.pdf](https://iecontent.iec.co.il/media/hinjaffd/meshulav0623_isa.pdf)

<sup>38</sup> [https://iecontent.iec.co.il/media/b5pohgzs/meshulav1223\\_isa.pdf](https://iecontent.iec.co.il/media/b5pohgzs/meshulav1223_isa.pdf)

<sup>39</sup> Source: 2020 Israeli Energy Sector Review – the Ministry of Energy: [energy\\_sector\\_review\\_2020.pdf](energy_sector_review_2020.pdf) ([www.gov.il](http://www.gov.il))



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whose consumption may amount to ~0.72 BCM per year, representing ~80% of the light industrial consumption potential.

- According to the Natural Gas Authority's estimations, without additional policy steps, until 2025, ~150 consumers with a total consumption of ~0.45 BCM, which represents approx. one half of the overall connection potential of the light industry consumers, are expected to connect to the distribution network. Further potential consumption of ~0.27 BCM which derives from the connection of ~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 ~2.25 BCM are from consumption of natural gas in the industry for consumers that are connected to the transmission system, and ~0.84 BCM are from consumption of natural gas for consumers that are connected to the distribution network.
- On 10 July 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

The business relations between the countries in the region have led to the signing of agreements for export of natural gas from Israel to its neighbors, as specified below:

- On 26 September 2016, an agreement was signed between the Leviathan partners and the Jordanian electric power company (NEPCO) for the supply of up to ~45 BCM of natural gas for a period of ~15 years. According to a report of NewMed Energy dated 31 December 2019, flow of natural gas has begun from the Leviathan reservoir to the customers with which gas agreements were signed, and from 1 January 2020 also to NEPCO.
- On 19 February 2018, agreements were signed between NewMed Energy and Chevron, and Dolphinus, an Egyptian company, which were assigned on 26 September 2018 to the Tamar partners and the Leviathan partners. On 26 September 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 ~25.3 BCM and ~60 BCM, respectively, for a period of ~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 15 January 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 15 February 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 16 February 2022, the Ministry of Energy approved<sup>40</sup>, in view of the increasing demand for natural gas in Egypt, piping of natural gas through the Kingdom of Jordan. Actual piping of the natural gas began on 1 March 2022<sup>41</sup> and increased the volume of natural gas exported to neighboring countries in a manner that secured supply of the annual contract quantity required under the export agreements and beyond in 2022-2023.
- On 8 May 2023, the Government of Israel, led by the Ministry of Energy and Infrastructure and INGL, approved a plan to increase the infrastructure for the export of natural gas to Egypt. The approved plan includes the establishment of an integrated infrastructure strip and infrastructure facilities in the route between Ramat Hovav and the border with Egypt in the Nitzana area, in addition to the existing maritime pipeline (EMG), and it is expected to increase the potential quantities of natural gas export to Egypt. The length of the segment (Ramat Hovav-Ashalim-Nitzana) is ~65 km, and it will allow the piping of another 6 BCM per annum to Egypt. The value of the State revenues from exports on this scale is estimated at hundreds of millions of shekels per year from taxes and royalties. Further to the aforesaid, the Ministry of Energy published designated regulation for the allocation of the capacity and the costs associated with the construction of this pipeline among the various gas exporters.
- On 23 August 2023, the Minister of Energy and Infrastructure announced the approval of the increase of the gas export quota from the Tamar reservoir to Egypt. According to the approval outline, the volume of the gas production will increase by 6 BCM per year (an increase of ~60% compared to the current production volume) starting in 2026, 3.5 BCM of which will be earmarked for Egypt. Further to the aforesaid report, on 14 December 2023, the Tamar reservoir partners announced that the Ministry of Energy authorized them to increase the export permit of the reservoir, from 38.7 BCM (approved in August) to 43 BCM. This quantity will enable to increase the additional maximum gas quantity permitted to be exported to Egypt from 3.5 BCM per year to 4 BCM per year. On 15

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<sup>40</sup> "New route for the export of natural gas to Egypt – North Jordan!" – Ministry of Energy, 16 February 2022  
[https://www.gov.il/he/departments/news/ng\\_160222](https://www.gov.il/he/departments/news/ng_160222)

<sup>41</sup> <https://mayafiles.tase.co.il/rpdf/1433001-1434000/P1433795-00.pdf>



February 2024, an amendment to the Tamar reservoir export agreement to Egypt was signed. As part of the amendment, the sellers undertook to supply the buyer with an additional quantity of ~4 BCM per year (a quantity that varies between 350 and 450 MMCF per day), which amounts to a total of ~43 BCM, over and above the existing amount in the agreement prior to its amendment, starting in July 2025, and subject to conditions precedent, mainly the completion of the expansion work of the Tamar reservoir and the completion of the expansion of the transmission system so as to allow the transfer of such additional gas quantities.<sup>42</sup>

- On 27 December 2023, the Minister of Energy and Infrastructure announced the formation of an inter-ministerial committee for the periodic examination of the policy of the natural gas sector. They chairperson of the committee will be the director general of the Ministry of Energy and its members will be representatives on behalf of the PUA-E, the Ministry of Environmental Protection, the National Economic Council, the Ministry of Finance, the Competition Authority, the Ministry of Justice, The Ministry of Foreign Affairs, and the National Security Council. One of the duties of the committee, which convenes once every 5 years, will be to examine the policy on gas export in new gas reservoirs. The committee is expected to complete its work within several months, and to submit its conclusions to the government in 2024.
- On 26 June 2024, NewMed Energy reported that the Petroleum Commissioner at the Ministry of Energy granted the partners in the Leviathan reservoir an in-principle approval, as of now, to export additional natural gas from the Leviathan reservoir in a total quantity of up to 118 BCM, which may increase to up to 145 BCM under certain conditions.

#### 4.5.4 Energy prices globally and in Israel

- As a result of the global decrease in coal prices in the first few months of 2023 (as of 31 March 2023, a ton of coal is traded for approx. \$137.8 compared with approx. \$190.5 on 31 December 2022<sup>43</sup>), the Electricity Authority decreased the electricity tariff for the domestic consumer for 2023 in February and March by ~1.5% and 2.4%, respectively, after it increased it by ~8.2% in January of that year (these decreases include the weighting of the payment for the energy consumed from the grid (kWh), the payment for capacity according to the size of the consumer's connection to the grid, and the cost of the consumerism services (fixed payment)).<sup>44</sup> 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

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<sup>42</sup> <https://maya.tase.co.il/reports/details/1574898>

<sup>43</sup> <https://markets.businessinsider.com/commodities/coal-price>

<sup>44</sup> Decision No. 65203 – Update of the Electricity Tariff for IEC Consumers



downward trend in energy prices in H2/2022, the current global oil prices also continue to be higher than on the eve of the war's outbreak. For example, the average price of a Brent barrel in June 2024 was approx. \$82, compared with an average price of approx. \$70.44 per Brent barrel in 2021.

- 2022 saw a drastic increase in gas prices, created because of a combination of several unique factors, and causing great difficulty throughout the world in the allocation of the limited gas supply. This increase occurred against the backdrop of the vast volatility in the global gas market at the end of 2021 and the resulting reduction in trade volumes. In addition, the eruption of the war between Russia and Ukraine in 2022 and the explosion of the Nord Stream pipeline in September 2022, caused gas prices to increase several more times, and to break new records each time. A record gas price was reached at the end of August 2022, when the natural gas price index reached the level of ~454 points (100 = 2010 average), compared with an average level of ~130.67 points in 2021.
- As of May 2024, the gas price index is ~71.6 points<sup>45</sup>. The decrease in gas prices was caused mainly due to adjustments on the part of the demand in Europe and Asia, growth of the global gas supply and elimination of infrastructural bottlenecks. However, the shortage in the global supply, which was among the causes for the increase in prices still exists, and the market is still in a state of a fragile and unstable equilibrium.
- On 21 September 2023, the global gas association released the 2022 annual price report.<sup>46</sup> According to the report, in 2022 the gas price in Israel was the lowest in the world out of the countries that do not subsidize the natural gas price, except Canada. In 2022 the gas prices in Israel were \$4.65 on average – prices that are significantly lower than in countries where there are gas markets based on domestic production, such as the United States (the largest producer of natural gas in the world), Australia, Argentina, etc. 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.
- According to a forecast prepared for the Partnership by an outside consultant, the domestic demand for natural gas in 2023 is expected to total ~13 BCM and gradually increase to ~15 and ~20 BCM in 2025 and 2030, respectively. The increase in domestic demand between 2023-2030 is expected to derive mainly from an addition of ~3.1 BCM

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<sup>45</sup> A World Bank Monthly Commodity Price Data (The Pink Sheet):

<https://thedocs.worldbank.org/en/doc/5d903e848db1d1b83e0ec8f744e55570-0350012021/related/CMO-Pink-Sheet-April-2024.pdf>

<sup>46</sup> <https://www.igu.org/resources/global-gas-report-2023-edition/>



as a result of discontinuance of the use of coal for electricity production, and of an addition of ~5.1 BCM as a result of natural growth in the demand for electricity (population growth, improvement in the standard of living and in disposable income). 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.

## 4.6 Market developments

### 4.6.1 The "Tamar" and "Leviathan" leases

- On 31 December 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 1 January 2020 and on 15 January 2020, the gas flow from the Leviathan reservoir began to Jordan and to Egypt, respectively.
- On 19 January 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 ~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 15 February 2021, INGL reported the fulfillment of the closing conditions determined in the agreement. However, due to the fact that INGL has not yet completed the pipeline section between Ashdod and Ashkelon, the agreement has not yet taken effect. In addition to the aforesaid, on 27 February 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 window of time during which commencement of the gas flow is possible has been postponed to the period from 1



October 2023 to 1 April 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*. With the outbreak of the Iron Swords War, INGL informed Chevron of the suspension of the work for the laying of the marine pipeline and the departure of the ship that was engaged in the laying thereof. The Partnership estimates that this vessel is expected to resume operation in Q4/2024, and the completion of the laying of such pipeline is expected during 2025.

- On 4 July 2021, The IEC entered into a SPOT agreement with the Leviathan partners for the purchase of natural gas from the Leviathan reservoir, which is valid for one year, in which framework it was agreed that the gas price will be determined every month and the parties have no commitment regarding the quantities purchased. On 28 June 2023, the SPOT agreement for the purchase of natural gas from the Leviathan reservoir was extended by another year until 4 July 2024.
- On 24 January 2022, the partners in the Tamar reservoir reported the signing of an amendment to the 2012 IEC-Tamar Agreement<sup>47</sup>, 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 1 January 2025 (instead of 1 July 2024 in the 2012 IEC-Tamar Agreement)<sup>48</sup>. In addition, the term of the 2012 IEC-Tamar Agreement was extended by another 2.5 years, such that this agreement will end on 31 December 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.

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<sup>47</sup> <https://maya.tase.co.il/reports/details/1427402/2/0>.

<sup>48</sup> In the IEC-Tamar agreement of 2012, the Parties determined two dates on which each party may request adjustment of the purchase price, 1 July 2021 and 31 December 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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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 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 24 July 2022, the agreement took effect after the satisfaction of all conditions precedent.

#### 4.6.2 "Karish" and "Tanin" leases

- **Adoption of an investment decision** – On 27 March 2018, Energean notified the Partnership of the adoption of an investment decision for the development of the Karish reservoir. Further thereto, starting from March 2018 and until 31 December 2023, Energean paid the Partnership approx. \$81.35 million (6 of 10 installments, including interest) and the Partnership is expected to receive the balance of the debt component in 2024.
- **Listing of Energean on the Israeli stock exchange** – On 29 October 2018, trading of Energean Israel's parent company, Energean 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 27 November 2018, Energean announced commencement of manufacture, in China, of the floating production facility (FPSO) that is currently used by the Karish and Karish North reservoirs. The facility treats the natural gas produced at the projects and is located in Israel's EEZ at a distance of ~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 25 June 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 ~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 21 November 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 ~0.5 BCM for a period of 15 years (and in total up to 8 BCM). On 17 December 2020, Energean reported that it had engaged with Rapac Energy Ltd. in an additional agreement for supply of natural gas in an average





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annual amount of ~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 2 January 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 floating production facility (FPSO).
- **The disagreement between Energean and NewMed Energy in connection with the right to receive royalties from the reservoirs** – Further to Energean's report of 9 April 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 everything related 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 its legal and professional counsels, 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 that are produced from the leases constitute condensate, as defined in the agreement. Up to the date of publication of this Paper Energean is paying the Partnership royalties due to the condensate produced from the Karish reservoir and due to the natural gas and condensate from the Karish North reservoir under protest.
- **Signing of an agreement for the sale of natural gas with Ramat Hovav partnership** – On 16 September 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 ~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.



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- **Agreement for the acquisition of all of the holdings in Energean Israel** – On 30 December 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 paid an amount ranging between \$380 million and \$405 million. On 25 February 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 14 January 2021, Energean reported on the adoption of a final investment decision (FID) in the ‘Karish North’ reservoir in the sum of approx. \$150 million. Natural gas was produced from this reservoir for the first time in Q1/2024 and Energean estimates that the IRR of the project will be ~40%.
- On 13 December 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 an increase of the hydrocarbon liquid output of the floating platform (FPSO) from 18 KBO per day to 32 KBO per day. Due to the Iron Swords War, there is a delay in the installation of the OTM and as of the date hereof, no date has been set for the completion of the installation.
- **A natural gas sale SPOT agreement signed with IEC** – On 14 March 2022, Energean reported that it had entered into a SPOT agreement with IEC for supply of natural gas from the Karish reservoir (in this section below, 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 the first gas from the Karish reservoir, with extension options subject to both parties’ consent. Further to the aforesaid, IEC reported in the context of its quarterly report for the period ended 30 September 2023, that on 15 October 2023, the SPOT Agreement was extended for one more year, until 17 October 2024.
- **Signing of an agreement for the sale of natural gas with Hagit East Power Plant partnership** – On 3 May 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 ~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 ~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 1 June 2022, IEC reported that the process for sale of the plant to Edeltech and Shikun & Binui Energy had been closed.

- On 9 October 2022, Energean reported the piping of natural gas from the shore to the floating production facility (FPSO) 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 26 October 2022, Energean reported initial natural gas production from the Karish reservoir and on 28 October 2022, it began selling natural gas to its customers.
- On 17 November 2022, Energean reported that it had signed a sale agreement with Vitol SA for initial marketing of deliveries of hydrocarbon liquids. On 14 February 2023, the company supplied the first delivery of hydrocarbon liquids from the Karish reservoir according to the aforementioned agreement.
- On 18 June 2023, Energean announced that Energean Israel Finance Ltd.<sup>49</sup> intends to issue a secured senior bond series in the total amount of \$750 million which is due to mature on 30 September 2033. The annual interest rate of this series is 8.50% and it will be paid in semi-annual installments on 30 March and 30 September of each year. According to the report, the bond is expected to be issued in July 2023 and traded on TASE-UP<sup>50</sup>. Energean intends to use the aforesaid amount, to: (1) pay the company's bonds that are due to mature in 2024; (2) pay the final deferred consideration to Kerogen Fund for the acquisition of Energean Israel; (3) finance interest expenses; and (4) pay fees, accrued interest and other expenses due to the payment of the bonds mentioned in Section 1 above and the issuance of the bond. On 11 July 2023 such bond was issued on TACT-Institutional and on 26 July 2023 the S&P Maalot rating agency gave an il.A rating for the issuance of the secured senior bond with stable outlook.<sup>51</sup>
- On 29 February 2024, Energean reported that it had started to produce gas from the Karish North reservoir on 22 February 2024. In addition, the flow of gas has commenced, by means of the second gas export pipeline, installation of which was completed in December 2023. As of the date of the report, the floating production facility (FPSO)

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<sup>49</sup> An Israel-based SPV. The SPV is held by Energean Israel.

<sup>50</sup> TASE-UP is a platform for raising of capital or debt for private entities from institutional investors and/or other (including private) qualified clients from Israel and overseas. In addition, the private entities may use the platform for trade without being obligated to release a prospectus and without being subject to current reporting obligations or disclosure requirements.

<sup>51</sup> Source: <https://mayafiles.tase.co.il/rpdf/1537001-1538000/P1537511-00.pdf>



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produces from 4 operating wells, which increase inventory redundancy and allow for flexibility to meet the gas demand requirements of Energean's customers.

- Further to the previous section, Energean further informed in the said report that it had entered into a natural gas supply agreement with Eshkol Energies Generation Ltd. ("Eshkol"), a company controlled by Dalia. According to the agreement, starting in June 2024, Energean will sell Eshkol an annual amount of ~0.6 BCM of natural gas until 2031 and subsequently an annual amount of 1 BCM until expiration of the term of the contract. The agreement includes clauses that address minimum and maximum prices, a 'take or pay' mechanism and a linkage mechanism. According to the report, the aggregate amount of the contract will be ~12 BCM for a 15-year term, and it is expected to generate Energean revenues of approx. \$2 billion.
- On 23 May 2024, the Partnership reported that, together with its other partners in Leviathan, it had entered into an agreement for the sale of ~0.5 BCM of gas per year to Eshkol, for a period of about 7 years, with a total value of approx. \$650 million.
- **Update of the volume of resources attributable to the Karish, Karish North and Tanin reservoirs** – On 21 March 2024, Energean released a resource and reserve report as of 31 December 2023, 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 ~96.3 BCM and ~98.3 million barrels, respectively<sup>52</sup>. Energean has brought forward the date of commencement of production from the Tanin reservoir to 2029 (rather than 2030). 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.

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<sup>52</sup> Source: <https://www.energean.com/media/5770/energean-israel-cpr.pdf>



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## 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 3 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.

According to the characteristics of the consideration components, 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 D&M CPR together with adjustments as will be 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 from Karish reservoir 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 that first gas production from the reservoir began in Q1/2024. According to these reports, production from the Tanin lease is expected to begin in 2029.

In the context of the valuation, it was assumed that the production of gas from the Tanin reservoir will be during 2029. It was further assumed that the production of the natural gas in the Karish, Karish North and Tanin reservoirs will end in 2040, 2044 and 2041, respectively, based on the assumptions presented in the D&M CPR.



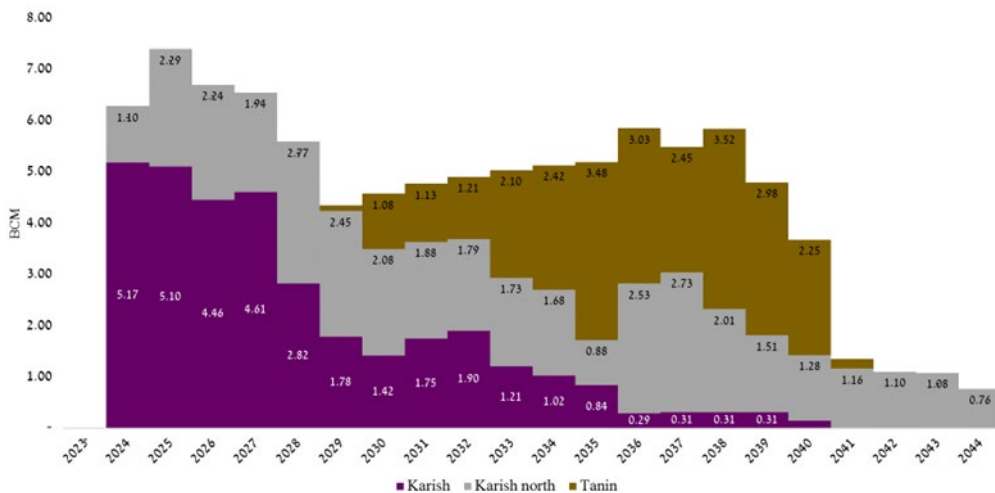
### 5.2.3 Quantity forecast and annual production rate

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, as of 31 December 2023:

Reservoir	Reserves and Resources	
	Natural Gas (BCM)	Hydrocarbon Liquids (MMBBL)
	<b>2P</b>	<b>2P</b>
Karish	33.4	53.2
Karish North	37.0	40.7
Tanin	25.9	4.4
<b>Total</b>	<b>96.3</b>	<b>98.3</b>

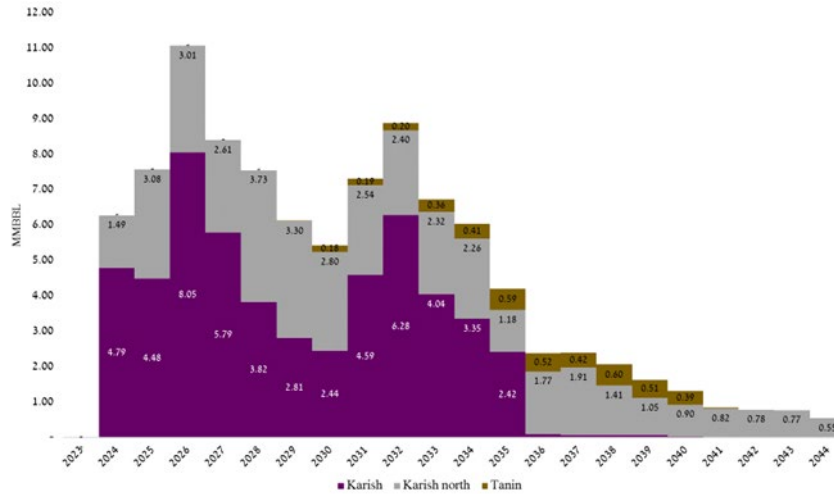
Based on Energean’s financial statements as of 31 March 2024, the Partnership's reports regarding the value of the royalties received from Energean, and the conversion ratio derived from the above table between the quantity of natural gas and the quantity of the hydrocarbon liquids in the Karish and Karish North reservoirs, the amount of natural gas and hydrocarbon liquids produced by Energean in 2023, is estimated at ~4.4 BCM and ~3.5 million barrels, respectively.

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 the hydrocarbon liquids from the reservoirs according to the D&M CPR (2P reserves):



The forecasted annual rate of production of natural gas and condensate used in the valuation was based on the rate 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, according to the D&M CPR, a factor of ~37.2 million was taken into account for the conversion from an MMBTU unit to a BCM unit.

### 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 30.07 Agorot (December 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



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tariff is expected to range between approx. 31.90-34.65 Agorot throughout 2025-2037.

- 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).

The base scenario and the low scenario in the D&M CPR assumed that the natural gas price will be approx. U.S. \$4.20, 4.25 and 4.30 per MMBTU in 2024, 2025-2027 and from 2028 forth, respectively.

### 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<sup>53</sup>, the EAI<sup>54</sup>, and the forward Brent prices according to Bloomberg as of the Valuation Date.

### 5.2.6 Royalty rate

The effective royalty rate paid to the Partnership is derived from the effective royalty rate paid to the State. The royalty rate paid to the State is determined according to the Petroleum Law and stands at 12.5% of the value of the gas at the wellhead<sup>55</sup>. However, the royalty rate paid in practice 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. As determined by the Ministry of Energy, the rate of advances paid to the State in 2024 for sales of natural gas and condensate from the Karish lease is 11.06%. This rate constitutes an advance payment only, and the market value of the royalties at the wellhead will be calculated in the future according to the expense deduction rate and method to be agreed with the Ministry of Energy.

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<sup>53</sup> A World Bank Semi-Annual Report: Commodity Markets Outlook, October 2023.

<sup>54</sup> U.S Energy Information Administration: Analysis & Projections, March 2024.

<sup>55</sup> On 9 February 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](https://www.gov.il/he/departments/publications/Call_for_bids/os_090220)



### 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 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 ~47% (according to the corporate tax rate<sup>56</sup>) 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 ~10.6% 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	4.36%	A
Leveraged beta	1.79	B
Market premium	5.63%	C
Specific risk premium	4.24%	D
<b>The company's equity price</b>	<b>18.7%</b>	
The debt price	8.06%	E
Tax rate	0%	F
Leverage ratio	60.0%	G
<b>Weighted equity price</b>	<b>12.3%</b>	
Net of operational risk	(1.7%)	H
<b>Weighted equity price net of operational risk</b>	<b>10.6%</b>	

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

- U.S. government bond yield for the average duration of the cash flow (4.7 years).
- Based on an average of unleveraged betas of benchmark companies, as specified in the table below:

<sup>56</sup> Corporate tax of 23% was assumed according to the statutory tax rate known as of the Valuation Date.



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Company	Unleveraged Beta
Isramco Negev 2 Limited Partnership	0.83
Ratio Energies Limited Partnership	0.96
Tamar Petroleum Ltd.	0.55
Tomer Energy Royalties (2012) Ltd.	0.27
NewMed Energy Limited Partnership	0.96
<b>Benchmark company average</b>	<b>0.72</b>

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 June 2024).
- d. Size risk premium according to Duff & Phelps International Valuation Handbook 2023 in addition to a specific risk premium due to the volatility in the oil prices and the competition in the domestic market.
- e. The debt price was estimated based on the yield rate derived from the bond issuance carried out by Energean in July 2023<sup>57</sup> and based on “fair value” figures as of the date of the valuation.
- 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 (b) above), as of 30 June 2024, was estimated at ~39%. In our estimation, the normative leverage ratio for the long-term is 60.0%
- h. The cap rate of 12.3%, 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, a reduction was made at the rate of ~1.7% from the risk rate produced by the model.

<sup>57</sup> For more information, see Section 4.6.2.





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### 5.3 Results of the valuation

According to the assumptions specified in the Paper itself, the value of the Royalties as of 30 June 2024 is estimated at approx. \$284.8 million (the value of the Karish Royalties (including Karish North) and the Tanin Royalties are estimated at approx. \$223.5 million and approx. \$51.3 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 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	244.1	262.9	276.2	257.5	269.7	284.8	301.2
	+150 bp	253.2	272.6	286.2	267.8	280.2	295.9	313.1
	+50 bp	263.0	283.1	297.1	278.9	291.6	308.0	326.0
	-	268.2	288.6	302.9	<b>284.8</b>	297.7	314.4	332.8
	-50 bp	273.7	294.4	308.9	291.0	304.0	321.1	340.0
	-150 bp	285.3	306.8	321.7	304.3	317.6	335.4	355.4
	-250 bp	298.0	320.3	335.7	318.7	332.4	351.1	372.2

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 the Annual Production Rate of Natural Gas (BCM)						
		-1.00	-0.50	-0.25	-	0.25	0.50	1.00
Change in Cap Rates (in Base Points)	+250 bp	277.3	283.4	289.1	257.5	262.0	263.4	270.1
	+150 bp	288.0	294.0	299.7	267.8	272.3	273.4	280.0
	+50 bp	299.7	305.4	311.2	278.9	283.4	284.3	290.8
	-	306.0	311.5	317.4	<b>284.8</b>	289.4	290.1	296.5
	-50 bp	312.6	317.9	323.8	291.0	295.6	296.1	302.4
	-150 bp	326.7	331.5	337.4	304.3	308.8	308.9	315.0
	-250 bp	342.2	346.5	352.4	318.7	323.2	322.9	328.7

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 the Condensate Price Vector (U.S. \$ per BBL)						
		-30.00	-20.00	-10.00	-	10.00	20.00	30.00
Change in Cap Rates (in Base Points)	+250 bp	266.4	277.6	284.1	257.5	266.5	275.3	284.1
	+150 bp	276.3	287.8	294.5	267.8	277.0	286.1	295.2
	+50 bp	287.0	298.8	305.8	278.9	288.4	297.8	307.2
	-	292.7	304.7	311.7	<b>284.8</b>	294.5	304.1	313.6
	-50 bp	298.7	310.9	318.0	291.0	300.9	310.6	320.3
	-150 bp	311.5	323.9	331.3	304.3	314.4	324.5	334.6
	-250 bp	325.4	338.2	345.9	318.7	329.3	339.8	350.2

## Annex A – Cash Flow Forecast

Year	Unit	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<u>Production</u>											
Gas production - Karish*	bcm/y	6.28	7.39	6.70	6.54	5.59	4.24	3.49	3.63	3.69	2.93
Gas production - Tanin	bcm/y	-	-	-	-	-	-	1.08	1.13	1.21	2.10
Condensate production - Karish*	bbl/y m	6.27	7.56	11.06	8.39	7.55	6.11	5.24	7.12	8.68	6.37
Condensate production - Tanin	bbl/y m	-	-	-	-	-	-	0.18	0.19	0.20	0.36
<u>Prices</u>											
Natural gas price	US\$	4.16	4.42	4.39	4.46	4.53	4.51	4.60	4.63	4.64	4.66
Condensate Price	US\$	84.41	81.41	75.75	72.97	71.08	69.85	69.14	68.93	68.23	67.54
<u>Revenues</u>											
<u>Karish - Revenues*</u>											
Natural Gas Revenues	US\$ MM	523.8	1,214.0	1,092.8	1,084.4	941.4	710.4	597.9	624.5	636.2	508.0
Condensate Revenues	US\$ MM	292.7	615.7	837.7	612.4	536.5	426.6	362.2	490.9	592.1	430.1
Total Gross Revenues	US\$ MM	816.5	1,829.7	1,930.5	1,696.8	1,477.9	1,136.9	960.1	1,115.3	1,228.3	938.1
<u>Tanin - Revenues</u>											
Natural Gas Revenues	US\$ MM	-	-	-	-	-	-	184.4	194.9	208.7	363.1
Condensate Revenues	US\$ MM	-	-	-	-	-	-	12.7	13.3	13.9	24.3
Total Gross Revenues	US\$ MM	-	-	-	-	-	-	197.0	208.2	222.6	387.4
		816.5	1,829.7	1,930.5	1,696.8	1,477.9	1,136.9	1,157.1	1,323.5	1,450.9	
K&T - Total Gross Revenues	US\$ MM	-	-	-	-	-	-	184.4	194.9	208.7	1,325.5
<u>New-Med Energy - Transaction Revenues</u>											
Karish ORRI, Net*	US\$ MM	37.0	50.7	49.5	37.7	30.3	21.0	16.4	17.7	18.6	14.2
Tanin ORRI Net	US\$ MM	-	-	-	-	-	-	8.9	9.4	10.1	17.5
<b>Transaction ORRI, Net**</b>	<b>US\$ MM</b>	<b>37.0</b>	<b>50.7</b>	<b>49.5</b>	<b>37.7</b>	<b>30.3</b>	<b>21.0</b>	<b>25.3</b>	<b>27.1</b>	<b>28.7</b>	<b>31.8</b>
Karish Discounted Transaction Revenues*	US\$ MM	36.1	46.2	40.6	27.9	20.3	12.7	9.0	8.8	8.3	5.7
Tanin Discounted Transaction Revenues	US\$ MM	-	-	-	-	-	-	4.9	4.7	4.5	7.1
<b>Total Discounted Transaction Revenues</b>	<b>US\$ MM</b>	<b>36.1</b>	<b>46.2</b>	<b>40.6</b>	<b>27.9</b>	<b>20.3</b>	<b>12.7</b>	<b>13.8</b>	<b>13.4</b>	<b>12.8</b>	<b>12.8</b>

\*Including Karish North

\*\*Net of Existing ORRI net of Petroleum Tax

Year	Unit	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
<u>Production</u>												
Gas production - Karish*	bcm/y	2.70	1.72	2.82	3.04	2.28	1.51	1.28	1.16	1.10	1.08	0.76
Gas production - Tanin	bcm/y	2.42	3.48	3.03	2.45	3.52	2.98	2.25	0.29	-	-	-
Condensate production - Karish*	bbl/y m	5.62	3.25	1.77	1.91	1.41	1.05	0.90	0.82	0.78	0.77	0.55
Condensate production - Tanin	bbl/y m	0.41	0.59	0.52	0.42	0.60	0.51	0.39	0.05	-	-	-
<u>Prices</u>												
Natural gas price	US\$	4.68	4.51	4.38	4.38	4.39	4.47	4.47	4.47	4.47	4.47	4.47
Condensate Price	US\$	66.86	66.19	65.52	64.85	64.20	63.55	62.91	62.27	61.64	61.02	60.40
<u>Revenues</u>												
<u>Karish - Revenues*</u>												
Natural Gas Revenues	US\$ MM	469.3	288.0	459.0	495.1	371.5	250.3	213.1	193.1	183.3	179.5	127.1
Condensate Revenues	US\$ MM	375.4	215.0	116.0	123.9	90.3	67.0	56.5	51.1	48.3	46.9	33.0
Total Gross Revenues	US\$ MM	844.8	503.0	575.0	619.0	461.8	317.3	269.5	244.2	231.6	226.4	160.1
<u>Tanin - Revenues</u>												
Natural Gas Revenues	US\$ MM	421.4	582.8	493.1	398.7	574.8	495.6	373.9	48.6	-	-	-
Condensate Revenues	US\$ MM	27.7	39.3	33.8	27.1	38.6	32.3	24.2	3.2	-	-	-
Total Gross Revenues	US\$ MM	449.1	622.1	526.9	425.8	613.4	528.0	398.1	51.7	-	-	-
<b>K&amp;T - Total Gross Revenues</b>	<b>US\$ MM</b>	<b>1,293.8</b>	<b>1,125.1</b>	<b>1,101.9</b>	<b>1,044.7</b>	<b>1,075.2</b>	<b>845.3</b>	<b>667.7</b>	<b>295.9</b>	<b>231.6</b>	<b>226.4</b>	<b>16.1</b>
<u>New-Med Energy - Transaction Revenues</u>												
Karish ORRI, Net*	US\$ MM	12.8	7.6	8.7	9.4	7.0	4.8	4.1	3.7	3.5	3.4	2.4
Tanin ORRI Net	US\$ MM	20.3	28.2	14.6	10.7	12.1	8.7	6.0	0.8	-	-	-
<b>Transaction ORRI, Net**</b>	<b>US\$ MM</b>	<b>33.1</b>	<b>35.8</b>	<b>23.3</b>	<b>20.0</b>	<b>19.1</b>	<b>13.5</b>	<b>10.1</b>	<b>4.5</b>	<b>3.5</b>	<b>3.4</b>	<b>2.4</b>
Karish Discounted Transaction Revenues*	US\$ MM	4.7	2.5	2.6	2.5	1.7	1.1	0.8	0.7	0.6	0.5	0.3
Tanin Discounted Transaction Revenues	US\$ MM	7.4	9.3	4.4	2.9	2.9	1.9	1.2	0.1	-	-	-
<b>Total Discounted Transaction Revenues</b>	<b>US\$ MM</b>	<b>12.1</b>	<b>11.8</b>	<b>7.0</b>	<b>5.4</b>	<b>4.7</b>	<b>3.0</b>	<b>2.0</b>	<b>0.8</b>	<b>0.6</b>	<b>0.5</b>	<b>0.3</b>

\*Including Karish North

\*\*Net of Existing ORRI net of Petroleum Tax



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## **Annex B – Definitions**

<b>NewMed Energy/the Partnership</b>	NewMed Energy Limited Partnership
<b>Avner</b>	Avner Oil Exploration - Limited Partnership
<b>Natural Gas</b>	A gas mixture containing mainly Methane, used mainly for the production of electricity and as a source of energy for industry
<b>The Buyer/Energiean</b>	Energiean Plc. through Energiean Israel Limited (Formerly Ocean Energiean Oil and Gas Ltd.)
<b>The Partnerships/Sellers</b>	NewMed Energy and Avner
<b>The Petroleum Law</b>	The Petroleum Law, 5712-1952
<b>The Gas Framework or the Framework</b>	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
<b>Chevron</b>	Chevron Mediterranean Ltd.
<b>Condensate</b>	Hydrocarbon liquid created during the production of natural gas, used as raw material for the production of fuels and constitutes a petroleum substitute
<b>Petroleum Asset</b>	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
<b>BCM</b>	Billion Cubic Meters
<b>DCF</b>	Discounted Cash Flows
<b>FID</b>	The adoption of a decision to invest in the development of the Karish and Tanin natural gas reservoirs. Final Investment Decision
<b>LNG</b>	Liquid Natural Gas
<b>MMBTU</b>	A Million BTU – an energy unit used as a basis for the determination of natural gas prices