

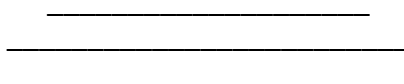
**Ratio Energies – Limited Partnership**  
**Interim Financial Information**  
**(Unaudited)**  
**March 31, 2022**

*This report is a translation of Ratio Energies, Limited Partnership's Hebrew-language unaudited Interim Financial Information as of March 31, 2022. 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.*

**Ratio Energies – Limited Partnership**  
**Interim Financial Information**  
**(Unaudited)**  
**March 31, 2022**

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## **Auditor's review report to the holders of the participation units of Ratio Energies – Limited Partnership**

### ***Introduction***

We have reviewed the accompanying financial information of Ratio Energies – Limited Partnership (the “**Partnership**”) and consolidated companies (the “**Group**”), which includes the Condensed Consolidated Statement of Financial Position as of March 31, 2022 and the Condensed Consolidated Statements of Comprehensive Income, the Changes in the Partners’ Equity and the Cash Flows for the three-month period then ended. The board of directors and management of Ratio Energies Management Ltd. (formerly Ratio Oil Explorations Ltd.), the Partnership’s general partner (the “**GP**”) are responsible for the preparation and presentation of financial information for such interim period in accordance with IAS 34 “Interim Financial Reporting”, and they are responsible for the preparation of financial information for such interim period under Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. Our responsibility is to express a conclusion on financial information for such interim period based on our review.

### **Scope of Review**

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

### **Conclusion**

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

Tel Aviv,  
May 30, 2022

Kesselman & Kesselman  
Certified Public Accountants  
Member of PricewaterhouseCoopers International Limited

**Ratio Energies – Limited Partnership**  
Condensed Consolidated Statement of Financial Position  
as of March 31, 2022

	March 31		December 31
	2022	2021	2021
	(Unaudited)		(Audited)
	\$ in thousands		
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	130,980	100,460	125,383
Financial assets at fair value through profit or loss	15,295	5,743	10,976
Short-term deposits	75,428	64,787	64,174
Trade and other receivables:			
Trade receivables	57,260	46,381	47,941
Operator of joint venture	3,745	-	2,310
Ratio Trusts Ltd. – the trustee – current account	330	299	338
Ratio Energies Management Ltd. – the GP (formerly Ratio Oil Explorations Ltd.) – current account	-	6,100	883
Other receivables	2,016	1,071	1,406
<b>Total current assets</b>	<b>285,054</b>	<b>224,841</b>	<b>253,411</b>
<b>Non-current assets:</b>			
Financial assets at fair value through profit or loss – investment in Ratio Petroleum	5,068	8,888	5,509
Other long-term assets, net	65,886	60,288	59,393
Restricted deposits	14,468	11,501	14,707
Fixed assets, net	57	62	57
Investments in oil and natural gas assets, net	804,362	815,074	811,832
<b>Total non-current assets</b>	<b>889,841</b>	<b>895,813</b>	<b>891,498</b>
<b>Total assets</b>	<b>1,174,895</b>	<b>1,120,654</b>	<b>1,144,909</b>
<b>Liabilities and the partners' equity</b>			
<b>Current liabilities:</b>			
Trade and other payables:			
Trade payables	58	14	44
Payables of joint venture	12,091	8,366	11,462
Ratio Energies Management Ltd. – the GP – current account	2,905	-	-
Others	92	-	92
Joint venture operator	-	4,041	-
Current maturities of bonds	120,910	121,513	125,772
Interest payable	24,807	31,348	15,662
Payables	5,193	7,611	4,905
Options for consultants	39	87	7
Provision for balancing and tax payments	-	-	13,920
Current taxes payable	5,494	-	-
<b>Total current liabilities</b>	<b>171,589</b>	<b>172,980</b>	<b>171,864</b>
<b>Non-current liabilities:</b>			
Provision for oil and natural gas asset retirement and disposal obligation	17,084	15,211	20,782
Bonds	213,324	247,757	214,560
Loans from banking corporations, net	487,990	484,475	487,112
Deferred taxes	30,574	-	24,723
<b>Total non-current liabilities</b>	<b>748,972</b>	<b>747,443</b>	<b>747,177</b>
<b>Total liabilities</b>	<b>920,561</b>	<b>920,423</b>	<b>919,041</b>
<b>Partners' equity</b>	<b>254,334</b>	<b>200,231</b>	<b>225,868</b>
<b>Total liabilities and partners' equity</b>	<b>1,174,895</b>	<b>1,120,654</b>	<b>1,144,909</b>

**Ratio Energies Management Ltd. – the GP (formerly – Ratio Oil Explorations Ltd.), by:**

\_\_\_\_\_  
**Ligad Rotlevy**  
**Chairman of the Board**

\_\_\_\_\_  
**Yigal Landau**  
**CEO and Board Member**

\_\_\_\_\_  
**Amir Brami**  
**CFO**

Date of approval of the Interim Financial Information by the GP's board: May 30, 2022.

**The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.**

**Ratio Energies – Limited Partnership**  
Condensed Consolidated Statement of Comprehensive Income  
for the 3-month period ended March 31, 2022

	<b>3 months ended</b>		<b>Year ended</b>
	<b>March 31</b>		<b>Dec. 31</b>
	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>(Unaudited)</b>		<b>(Audited)</b>
	<b>\$ in thousands (other than figures of profit per participation unit)</b>		
<b>Revenues</b>			
From the sale of natural gas	81,979	71,960	293,354
Net of royalties	(13,662)	(11,992)	(48,887)
	<u>68,317</u>	<u>59,968</u>	<u>244,467</u>
<b>Expenses and costs</b>			
Natural gas and condensate production cost	10,641	8,497	37,337
Depreciation and amortization expenses	7,011	7,092	27,998
Oil and natural gas exploration expenses, net	-	688	1,093
G&A expenses, net	1,985	1,049	6,733
<b>Total expenses and costs</b>	<u>19,637</u>	<u>17,326</u>	<u>73,161</u>
<b>Operating income</b>	<u>48,680</u>	<u>42,642</u>	<u>171,306</u>
Financial income	4,034	6,915	291
Financial expenses	(12,903)	(24,886)	(69,433)
Financial expenses, net	(8,869)	(17,971)	(69,142)
<b>Income before income taxes</b>	39,811	24,671	102,164
Income taxes	(11,345)	-	(24,723)
<b>Net profit and comprehensive income for the period</b>	<u>28,466</u>	<u>24,671</u>	<u>77,441</u>
<b>Basic and diluted profit per participation unit (in \$)</b>	<u>0.025</u>	<u>0.022</u>	<u>0.069</u>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

## Ratio Energies – Limited Partnership

Condensed Consolidated Statement of Changes in the Partners' Equity  
for the 3-month period ended March 31, 2022

	<u>Equity of the Partnership</u>	<u>Warrants</u>	<u>Capital Reserve from Control Holders</u>	<u>Loss Balance</u>	<u>Total Equity</u>
	<b>\$ in thousands</b>				
<b>Balance as of January 1, 2022</b> (audited)	318,864	0	1,101	(94,097)	225,868
<b>Movement in the 3 months ended Mar. 31, 2022</b> (unaudited) -					
Net profit and comprehensive income for the period	-	-	-	28,466	28,466
<b>Balance as of Mar. 31, 2022</b> (unaudited)	<u>318,864</u>	<u>0</u>	<u>1,101</u>	<u>(65,631)</u>	<u>254,334</u>
<b>Balance as of January 1, 2021</b> (audited)	318,846	-	1,101	(144,387)	175,560
<b>Movement in the 3 months ended Mar. 31, 2021</b> (unaudited) -					
Net profit and comprehensive income for the period	-	-	-	24,671	24,671
<b>Balance as of Mar. 31, 2021</b> (unaudited)	<u>318,846</u>	<u>-</u>	<u>1,101</u>	<u>(119,716)</u>	<u>200,231</u>
<b>Balance as of January 1, 2022</b> (audited)	318,846	0	1,101	(144,387)	175,560
<b>Movement during 2021</b> (audited):					
Exercise of Series 19 Warrants	18	-	-	-	18
Down payments for holders of the participation units	-	-	-	(13,231)	(13,231)
Balancing payments for corporations and tax payments for individuals	-	-	-	(13,920)	(13,920)
Net profit and comprehensive income for the year	-	-	-	77,441	77,441
<b>Balance as of December 31, 2021</b> (audited)	<u>318,864</u>	<u>0</u>	<u>1,101</u>	<u>(94,097)</u>	<u>225,868</u>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

## Ratio Oil Exploration (1992) – Limited Partnership

### Condensed Consolidated Statement of Cash Flows

for the 3-month period ended March 31, 2022

(Cont.) – 1

	3 months ended March 31		Year ended December 31
	2022	2021	2021
	(Unaudited)		(Audited)
	\$ in thousands		
<b>Cash flows from operating activities:</b>			
Net cash deriving from operations, see Annex A	38,936	47,934	122,118
Interest received	96	54	308
Dividend received	11	1	14
<b>Total net cash deriving from operating activities</b>	<b>39,043</b>	<b>47,989</b>	<b>122,440</b>
<b>Cash flows from investment activities:</b>			
Purchase of financial instruments at fair value through profit or loss – investment in Ratio Petroleum Energy – Limited Partnership	-	(4,585)	(4,585)
Short-term deposits, net	(11,254)	(18,647)	(18,034)
Deposit of restricted deposits	-	(3,940)	(6,253)
Investment in other assets	(5,919)	(6,996)	(10,593)
Purchase of fixed assets	(4)	-	(6)
Investment in oil and natural gas assets	(3,302)	(3,056)	(9,288)
<b>Total net cash used for investment activities</b>	<b>(20,479)</b>	<b>(37,224)</b>	<b>(48,759)</b>
<b>Cash flows from financing activities:</b>			
Issuance of Series D Bonds, net	-	-	90,771
Repayment of Series B and C bond principal	-	-	(113,894)
Tax advances and balancing payments paid for participation unit holders	(13,920)	-	(13,231)
Purchase of Series B Bonds, net	-	-	(2,331)
<b>Total net cash deriving from financing activities</b>	<b>(13,920)</b>	<b>-</b>	<b>(38,685)</b>
<b>Increase in cash and cash equivalents</b>	4,644	10,765	34,996
<b>Balance of cash and cash equivalents at the beginning of the period</b>	125,383	89,781	89,781
<b>Profits (losses) from exchange rate differences on cash and cash equivalents</b>	953	(86)	606
<b>Balance of cash and cash equivalents at the end of the period</b>	<b>130,980</b>	<b>100,460</b>	<b>125,383</b>

## Ratio Oil Exploration (1992) – Limited Partnership

### Condensed Consolidated Statement of Cash Flows for the 3-month period ended March 31, 2022

(End) – 2

	<b>3 months ended March 31</b>		<b>Year ended</b>
	<b>2022</b>	<b>2021</b>	<b>December 31</b>
	<b>(Unaudited)</b>		<b>(Audited)</b>
	<b>\$ in thousands</b>		
<b>(A) Annex to the condensed consolidated report on cash flows -</b>			
<b>Net cash derived from operations:</b>			
Net profit and comprehensive income for the period	28,466	24,671	77,441
Adjustments for:			
Interest and dividend revenues	(107)	(55)	(322)
Depreciation and amortization	7,172	7,092	27,998
Non-cash revenues and expenses:			
Losses (profits) from exchange rate differences on cash and cash equivalents	(953)	86	(606)
Income taxes	11,345	-	24,723
Expenses (revenues) of exchange rate differences in respect of restricted deposits	239	519	(374)
Interest and discount in respect of loans from banking corporations	897	544	3,233
Interest on bonds, discount and exchange rate differences	3,028	(508)	(19,724)
Provision for oil and gas asset retirement and disposal obligation	84	57	231
Loss (profit) from change in the fair value of financial assets at fair value through profit or loss	(84)	11,896	14,419
	<u>50,087</u>	<u>44,302</u>	<u>127,019</u>
Changes in operating asset and liability items:			
Decrease (increase) in trade and other receivables:			
Trade receivables	(9,319)	(8,167)	(9,727)
Sale (purchase) of financial instruments at fair value through profit or loss, net	(5,316)	97	(4,285)
Change in balance with Ratio Trusts Ltd.	8	21	*
Other	(610)	36	(299)
Increase (decrease) in trade and other payables:			
Trade payables	14	(7)	23
Payables of joint venture	1,399	923	653
Other	320	1,545	(1,149)
Change in balance with joint venture operator	(1,435)	4,404	(114)
Change in balance with Ratio Energies Management Ltd. (formerly - Ratio Oil Explorations Ltd.), the GP	3,788	4,780	9,997
	<u>(11,151)</u>	<u>3,632</u>	<u>(4,901)</u>
<b>Net cash derived from operations</b>	<u>38,936</u>	<u>47,934</u>	<u>122,118</u>
<b>(B) Information on non-cash activities:</b>			
Investment in oil and natural gas explorations	8,722	7,144	9,492
Oil and gas asset retirement obligation against oil and natural gas assets	(3,782)	(3,898)	1,499
Declared tax and balancing payments	-	-	13,920
<b>(C) Interest paid</b>	<u>4,763</u>	<u>5,135</u>	<u>69,680</u>

\* Represents a sum lower than \$1 thousand



## Ratio Energies – Limited Partnership

Notes to the Condensed Consolidated Financial Statements

as of March 31, 2022

(Unaudited)

### Note 1 – General:

- A.** On February 21, 2022, Ratio Oil Exploration (1992) - Limited Partnership changed its name to Ratio Energies - Limited Partnership (the “**Partnership**” or “**Ratio**”). Ratio is an Israeli public limited partnership primarily engaged in the exploration, development and production of natural gas from the Leviathan reservoir in the area of the I/14 “Leviathan South” and I/15 “Leviathan North” leases (the “**Leviathan Leases**” or the “**Leviathan Reservoir**” or the “**Leviathan Project**”). The Leviathan Reservoir constitutes a discovery, within the meaning thereof in the Petroleum Law, 5712-1952 (the “**Petroleum Law**”). The Partnership holds 15% of the Leviathan Project and, in addition, the Partnership has exploration activity in eight other licenses in Israel together with two international energy companies.
- B.** The Partnership’s income in the period of the financial statements from the sale of natural gas is mainly affected by the scope of consumption and sale price of natural gas in the export markets and the domestic market. In the export markets by Jordan’s National Electric Power Company (“**NEPCO**”) and Blue Ocean Energy in Egypt and in the domestic market by various customers, and primarily IPPs (independent power producers).

The Partnership’s share in the revenues and in the quantities of natural gas sold to the export markets and the domestic market:

	<b>3 months ended</b>		<b>Year ended</b>
	<b>March 31</b>		<b>December 31</b>
	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>(unaudited)</b>		<b>(audited)</b>
<b>Revenues</b>			
<b>(in millions of \$)</b>			
Export Markets	60.7	41.1	186.0
Domestic market	21.3	30.9	107.4
	<b>82.0</b>	<b>72.0</b>	<b>293.4</b>
<b>Quantities (BCM)*</b>			
Export Markets	0.27	0.20	0.93
Domestic market	0.14	0.21	0.68
	<b>0.41</b>	<b>0.41</b>	<b>1.61</b>

\* Figures are rounded-off to 2 digits after the decimal point.

- C.** The Partnership was founded according to a limited partnership agreement which was signed on January 20, 1993, as amended from time to time. The participation units of the Partnership were listed on the Tel Aviv Stock Exchange Ltd. (“**TASE** in 1993. The Partnership’s offices are located at 85 Yehuda Halevi St., Tel Aviv.

## Ratio Energies – Limited Partnership

Notes to the Condensed Consolidated Financial Statements

as of March 31, 2022

(Unaudited)

### Note 1 – General (Cont.):

On May 8, 2022, the GP, Ratio Oil Explorations Ltd., changed its name to Ratio Energies Management Ltd. (the “**GP**”). The ongoing management of the Partnership is carried out by the GP under the supervision of the supervisor, Adv. and CPA Simon Yaniv (the “**Supervisor**”).

Ratio Trusts Ltd. (the “**LP**”) acts as a trustee and holds the participation units (which confer a working interest in the rights of the LP in the Partnership) and the warrants that were offered thereby in escrow for the unit holders and the warrant holders.

The GP and the LP hold 0.01% and 99.99% of the Partnership’s equity, respectively.

**D.** As of March 31, 2022 and the date of approval of the financial statements, the Partnership has a holding in several entities:

1) The Partnership is the control holder (100%) of Ratio Energies (Financing) Ltd. (formerly - Ratio Oil Exploration (Financing) Ltd.) (“**Ratio Financing**”), a special-purpose bond company (SPC) whose objects are: (1) raising debt and everything entailed thereby; (2) providing loans to the Partnership to be used by the Partnership to finance its share in the expenses in connection with the Leviathan Leases; (3) performing any and all actions entailed by the foregoing activity. Ratio Financing’s bonds are traded on the TASE. Ratio Financing’s results are consolidated in the Partnership’s financial statements.

2) The Partnership is the control holder (100%) of Leviathan Development (2016) Ltd. (“**Leviathan Development**”), a private special-purpose company (SPC) which was established by the Partnership for the purpose of receipt of project finance to finance the Partnership’s share in the development of the Leviathan Project. Leviathan Development’s results are consolidated in the Partnership’s financial statements.

The Partnership, Ratio Financing and Leviathan Development shall hereinafter be referred to collectively as: the “**Group**”.

3) The Partnership holds 15% of the issued and paid-up share capital of NBL Jordan Marketing Ltd. (the “**Marketing Company**”), a private company registered in the Cayman Islands, owned by the Leviathan partners, which hold it proportionately to the rate of their holdings in the Leviathan Project. The Marketing Company was established for the purpose of engagement in an agreement for the export of natural gas from the Leviathan Project to NEPCO.

As of March 31, 2022, the activity of the Marketing Company does not affect the Partnership’s financial results.

4) The Partnership holds 15% of the issued and paid-up share capital of Leviathan Transmission System Ltd., a private company held by the Leviathan partners, which hold it proportionately to the rate of their holdings in the Leviathan Project, for the purpose of receipt of a natural gas transmission license from the production platform of the Leviathan Project to the northern entry point to the national transmission system of Israel Natural Gas Lines Ltd. (“**INGL**”).

Leviathan Transmission System Ltd. holds the transmission license and its activity does not affect the Partnership’s financial results.

## Ratio Energies – Limited Partnership

Notes to the Condensed Consolidated Financial Statements

as of March 31, 2022

(Unaudited)

### Note 1 – General (Cont.):

#### D. (Cont.)

4) (Cont.)

The Marketing Company and Leviathan Transmission System Ltd. are accounted for by using the equity method.

#### E. The Russia-Ukraine war

On February 24, 2022, the Russian army invaded Ukraine as part of an initiated campaign which included mobilizing military field forces, while also launching air and artillery assaults. As a result, the United States and the member states of the European Union imposed a series of economic punitive measures against Russia, which included, among others, sanctions on trade with Russia and Russian seniors, a decision to postpone the completion of the Nord Stream 2 project intended to double the volume of gas exported from Russia to Germany, discontinuation of some collaboration with Russian entities by international companies, including significant companies in the fields of natural gas and oil production, and more.

Following the above and in light of Russia's status as a major global supplier of natural gas and oil, the concern of a long-term shortage of natural gas and oil has arisen, leading to a further rise in energy prices. As of the date of approval of the financial statements, the Partnership cannot estimate how the aforesaid crisis will develop and what long-term effect it will have on the energy markets and the Partnership's operation, in particular. Nonetheless, in 2021, Russia supplied approx. 150 BCM of natural gas to European countries that constitute approx. \$40 of the total European gas consumption.

However, it seems that many European countries seek to diversify their natural gas resources in order to decrease the dependence in natural gas from Russia, which may lead to an additional significant demand for natural gas from areas with possibility to connect to natural gas consumption to Europe and an additional demand for LNG. The Partnerships, together with its partners in the Leviathan Project, is examining the effect of such factors on the possibilities for development and/or expansion of the Leviathan Project.

F. The financial data in the financial statements of the joint venture, which are used by the Partnership in the preparation of its financial statements are based, *inter alia*, on accounting data and documents that were provided to the joint venture by the operator of the joint venture.

### Note 2 – The Basis for Preparation of the Condensed Financial Statements:

A. The Group's financial information as of March 31, 2022 and for the 3-month interim period then ended (the "**Interim Financial Information**") was prepared in accordance with IAS 34 "Interim Financial Reporting" ("**IAS-34**") and in accordance with the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

The Interim Financial Information does not include all of the information and disclosures required in annual financial statements. The Interim Financial Information should be read in conjunction with the annual financial statements for 2021 and the notes attached thereto (the "**Annual Financial Statements**"), which comply with the International Financial Reporting Standards, which are standards and interpretations published by the International Accounting Standards Board (the "**IFRS**"), and include the additional disclosure required pursuant to the Securities Regulations (Annual Financial Statements), 5770-2010.

The Interim Financial Information is reviewed and unaudited.

**Ratio Energies – Limited Partnership**  
Notes to the Condensed Consolidated Financial Statements  
as of March 31, 2022  
(Unaudited)

**Note 2 – The Basis for Preparation of the Condensed Financial Statements (Cont.):**

**B. Functional currency and presentation currency**

Items included in the financial statements of each one of the Group's companies are measured in the currency of the main economic environment in which it operates (the "**Functional Currency**"). The consolidated financial statements are presented in U.S. dollars ("\$"), which is the Functional Currency and the presentation currency of the Group's companies.

**C. Estimates and discretion**

The preparation of interim financial statements requires the Group's management to exercise discretion and also requires use of accounting estimates and assumptions which affect the application of the Group's accounting policy and the reported amounts of assets, liabilities, revenues and expenses. The actual results may differ from such estimates.

In the preparation of these condensed consolidated interim financial statements, the significant discretion exercised by the management in the application of the Group's accounting policy and the uncertainty entailed by the key sources of the estimates were identical to those in the Annual Financial Statements, apart from the section on current taxes on income, which is specified below.

Furthermore, on the impact of the Russia-Ukraine war on the Group and the discretion exercised by the management, see Note 1E above.

**Current taxes on income**

The Partnership is a tax-paying entity for tax purposes, and accordingly the Partnership's management is required to exercise significant discretion in order to determine the total provision for taxes on income. The Partnership makes many transactions and calculations, determination of the final tax liability in respect of which is uncertain in the ordinary course of business. The Partnership recognizes provisions for amounts that it is expected to bear following tax audits, based on its estimates with respect to the possibility that it will be charged with additional tax payments. If the final tax liability shall be different to the tax liability recorded on the books, the differences will affect the provisions for taxes on income and the deferred tax liabilities in the period in which the said final assessment is determined by the tax authorities.

**D. Non-inclusion of separate financial information in the condensed consolidated financial statements**

In accordance with the provisions of Regulations 9C, 38D of and the Tenth Schedule to the Securities Regulations (Periodic and Immediate Reports), 5730-1970, the Partnership has not included separate financial information in the Interim Financial Information, following an examination by the Partnership's management together with its legal advisors of the need to attach separate financial information, and because the additional information that would be provided as separate financial information that is attributed to the Partnership relative to the information included in the consolidated financial statements is negligible, and therefore, in accordance with the securities laws, there is no need for the attachment thereof.

**Ratio Energies – Limited Partnership**  
Notes to the Condensed Consolidated Financial Statements  
as of March 31, 2022  
(Unaudited)

**Note 2 – The Basis for Preparation of the Condensed Financial Statements (Cont.):**

**D.** (Cont.):

The parameters on which the Partnership's decision was based were:

- 1) The total assets in the separate statement (net of an investment in Ratio Financing and in Leviathan Development) out of the Partnership's total assets in the consolidated statement.
- 2) The total liabilities in the separate statement out of the Partnership's total liabilities in the consolidated statement.
- 3) The cash flow from operating activities in the separate statement out of the cash flow from the operating activities in the consolidated statement.
- 4) The total comprehensive income in the separate statement out of the Partnership's total comprehensive income in the consolidated statement.

The Partnership will continue to examine the future effect of the inclusion of separate financial information in each reporting period. See Note 11 and Note 24 to the Annual Financial Statements for information regarding ties and engagements with Ratio Financing and Leviathan Development.

**Note 3 – Significant Accounting Policies:**

- A.** The significant accounting policies and calculation methods that were applied in the preparation of the Interim Financial Information are consistent with those used in the preparation of the Annual Financial Statements. In addition, as stated in Note 2Y to the Annual Financial Statements, following an amendment to the Income Tax Regulations which was published during 2021, from 2022 the tax regime that applies to the Partnership has changed, such that it is taxed as a company, and therefore, from January 1, 2022, the Partnership recognizes current tax expenses in the Statement of Comprehensive Income.

The expenses for income on taxes in the financial statements include the total current taxes and the total change in the deferred tax balances. The current tax expenses are calculated based on the Partnership's taxable income during the report period. The taxable income is different to the profit before taxes on income due to the inclusion or non-inclusion of income and expense items which either are or are not liable for tax or tax deductible in different report periods. Assets and liabilities in respect of current taxes were calculated based on the tax rates and the tax laws that were legislated or whose legislation was de facto completed by the date of the Condensed Consolidated Statement of Financial Position. The Partnership's management periodically reviews the tax aspects that apply to its taxable income, in accordance with the relevant tax laws, and creates provisions in accordance with the amounts expected to be paid to the tax authorities.

- B. New international financial reporting standards, amendments to standards and new interpretations:**

At present, there are no amendments to preexisting standards and/or new standards over and above the amendments to existing standards in respect of which a disclosure was made in the consolidated Annual Financial Statements.

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**Note 4 – Investments in Oil and Natural Gas Assets:**

**Developments in the Leviathan Leases:**

- a) Further to Note 8C5 to the Annual Financial Statements regarding the decision to drill the Leviathan-8 development and production well in the area of the I/14 Leviathan South lease, it is noted that the drilling of the well is moving ahead as planned and according to the schedules and budget, and is expected to be completed in the coming days. According to the development plan for the reservoir, the well will be connected to the existing subsea production system of the Leviathan Reservoir in Q1/2023, following completion work.
- b) Further to Note 25C1.d to the Annual Financial Statements regarding an engagement with INGL for the construction of the Ashdod-Ashkelon combined section, in May 2022 Chevron Mediterranean Ltd. (“**Chevron**”) informed the Partnership that INGL had notified it that notwithstanding the extension by up to 6 months of the timeframe for the transmission of natural gas in the Ashdod-Ashkelon offshore transmission system section, the anticipated date of commencement of actual transmission remains unchanged, namely April 2023.
- c) Further to Note 25C1.i)2 to the Annual Financial Statements regarding the examination by the Leviathan partners, together with Energy Infrastructures Ltd. (“**PEI**”), of a possibility to transport condensate from the Leviathan Reservoir, on April 26, 2022, an MOU was signed between Chevron and PEI which is intended to regulate, subject to the signing of a binding agreement, an alternative mechanism for the piping of condensate via PEI’s existing systems. As of the date of approval of the financial statements, the parties are working for the signing of such binding agreement.
- d) In April 2022, the Petroleum Commissioner notified Chevron that from June 1, 2022 to September 15, 2023 the Leviathan partners are required to guarantee supply of natural gas to the domestic market in a quantity exceeding the daily quantity that the Leviathan partners undertook to supply to the domestic market according to the gas supply agreements in which they engaged. The Partnership does not expect such notice to have a material effect on the Partnership’s results for 2022.
- e) Update of evaluations of resources in the Leviathan Reservoir

In February 2022, a report was received from Netherland, Sewell & Associates, Inc. (“**NSAI**”) evaluating reserves and contingent resources in the Leviathan Leases, updated as of December 31, 2021 (the “**Reserves and Resources Report**”).

According to the Reserves and Resources Report, which was prepared according to the Society of Petroleum Engineers Petroleum Resources Management System guidelines (“**SPE-PRMS**”), the project’s maturity stage at which the natural gas and condensate reserves (Proved Reserves) are classified, is ‘on production’. The Leviathan Reservoir also has natural gas and condensate Contingent Resources, which are classified as a project at a maturity stage of Pending Development.

## Ratio Energies – Limited Partnership

Notes to the Condensed Consolidated Financial Statements

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(Unaudited)

### Note 4 – Investments in Oil and Natural Gas Assets (Cont.):

e) (Cont.):

The following table specifies such reserves and resources according to the best estimate:

Contingent reserves and resources category	Total (100%) in the petroleum asset (gross)	
	Natural Gas (BCM)	Condensate (million barrels)
Total Proved+Probable Reserves (2P):	379.3	29.5
Estimate Contingent Resources (2C):		
Phase IA	109.6	8.5
Future development	142.3	11.1
Total Proved+Probable Reserves and Best Estimate Contingent Resources (2P+2C)	631.2	49.1

In the Reserves and Resources Report, the contingent resources were divided into two categories, which relate to each of the phases of development of the reservoir, as follows:

Phase 1A (First Stage) – resources contingent on the adoption of investment decisions to drill additional wells, to construct related infrastructures and to sign additional agreements for the sale of natural gas.

Future Development – resources contingent on the adoption of another investment decision, which will enable the increase in the processing and flow capacity, in accordance with Phase 1B and/or an additional phase, insofar as the Leviathan Reservoir development plan is updated, and on the signing of additional agreements for the sale of natural gas. See Section f) below with respect to uncertainty in reserves and contingent resources evaluation of natural gas and condensate.

f) Reserves and contingent resource evaluations of natural gas and condensate

NSAI's evaluations regarding the quantities of the natural gas and condensate reserves in the Leviathan Reservoir are based, *inter alia*, on geological, geophysical, engineering and other information received from the wells and from the operator in the Leviathan Reservoir and constitute estimates and assumptions only of NSAI, in respect of which there is no certainty. The natural gas and/or condensate quantities that shall actually be produced, may be different from the said estimates and assumptions, *inter alia* as a result of operating and technical conditions and/or regulatory changes and/or supply and demand conditions in the natural gas and/or condensate market and/or commercial conditions and/or as a result of the reservoirs' actual performance. The said estimates and assumptions may be updated insofar as additional information is accumulated and/or as a result of a gamut of factors relating to oil and natural gas exploration and production projects, including as a result of actual production data from the Leviathan Reservoir.

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**Note 5 – Financing of the Leviathan Project:**

The Partnership finances its share in the costs of the development of the Leviathan Reservoir, *inter alia*, by means of bank financing.

Further to Note 11A to the Annual Financial Statements regarding a loan agreement between Leviathan Development and a consortium of local and foreign banks, a loan facility of \$650 million was provided to the Partnership (through Leviathan Development, which provides the loan to the Partnership back-to-back) (the “**Loan**”).

As of March 31, 2022, the Partnership is in compliance with all financial covenants assumed thereby under the Loan agreement, and whose highlights were specified in the Annual Financial Statements.

As of March 31, 2022 and as of the date of approval of the financial statements, the loan amounts that have been drawn down from the Loan facility total approx. \$500 million. The book value of the Loan from banking corporations is a reasonable approximation of its fair value.

During Q1/2022, as part of the Partnership's risk management, and in order to reduce the exposure regarding a possible increase in the LIBOR interest rate on the Loan taken thereby, the Partnership bought CAP options to hedge \$150 million, which expire on July 17, 2023. The options’ exercise price ranges between 1.25% and 1.7352% against LIBOR interest for a period of 3 months. The fair value of the options as of March 31, 2022, in the sum of approx. \$1.5 million, is presented under the ‘other long-term assets, net’ item in the Condensed Consolidated Statement of Financial Position. Income from revaluation of the options’ fair value in the sum of approx. \$1 million is presented under ‘financial expenses, net’ item in the Statement of Comprehensive Income.

**Note 6 – Related Parties:**

Further to Note 24 to the Annual Financial Statements, transactions with interested parties and related parties, which derive from the Partnership agreement, are specified below:

	3 months ended		Year
	March 31	March 31	Ended Dec. 31
	2022	2021	2021
	(Unaudited)	(Unaudited)	(Audited)
	\$ in thousand		
Operator fees to the GP	-	685	771
Management fees to the GP	285	-	785
Geological advice	36	36	144
Overriding royalties	4,431	3,889	15,855
Director fees and related expenses	138	92	423
Expenses entailed by the management of the Partnership’s business	-	27	36
Fees to and expenses of the LP, the trustee	*	*	2

\* Lower than \$1 thousand

Short-term deposits in the Condensed Consolidated Statement of Financial Position includes a sum of approx. \$63.6 million which is intended to be used for the purchase of Series B bonds and Series C bonds of Ratio Financing, for the Partnership.



**Ratio Energies – Limited Partnership**  
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**Note 7 – Contingent Liabilities:**

**A. Legal Proceedings**

- 1) Olir Trade and Industries. Ltd. v. Ratio Oil Exploration (1992) Limited Partnership

Further to Note 25D3 to the Annual Financial Statements, on March 31, 2022, a preliminary hearing of the appeal was held at the Supreme Court, during which the court made a proposal to the parties on how to end the dispute, but the appellant did not accept the proposal. The respondents are entitled to respond to the appeal by June 19, 2022.

- 2) Class certification motion – Sapir v. Ratio Oil Exploration (1992) Limited Partnership

As stated in Note 25D4 to the Annual Financial Statements, on February 27, 2022, the respondents' response was filed to the certification motion claiming, *inter alia*, that the contractual stipulation at the center of the certification motion was not a material stipulation that was required to be disclosed, according to the tests determined therefor in statutory and case law, and especially given the low foreseeable probability of the Brent price falling below \$50 per barrel on annual average, and the low foreseeable impact of the stipulation on the value of the Partnership's assets. The respondents further argued that even if the stipulation had been fully disclosed to the public, it would not have added any material information that would have been relevant to the "reasonable investor", *inter alia*, in view of the lack of supplementary details that would have contributed to an understanding of its impact on the value of the participation units.

- 3) Oil Fields Exploration (1992) – Limited Partnership (in liquidation) v. Eitan Aizenberg Ltd. *et al.*  
Oil Fields Ltd. v. Eitan Aizenberg Ltd. *et al.*

Further to Notes 25D6 and 25D7 to the Annual Financial Statements, during April-May, pretrial sessions were held. In a decision of April 28, 2022, the court ruled that the events covered by the two lawsuits, which are described in the said notes, are, to a great extent, overlapping (if not identical), and ordered consolidation of the hearing as sought.

- 4) HCJ 2351/21 Noble Energy Mediterranean Limited v. the Natural Gas Commission – the Ministry of Energy

As stated in Note 25D8 to the Annual Financial Statements, on January 30, 2022, the court's decision was issued whereby the petition will be referred to a panel.

## Ratio Energies – Limited Partnership

Notes to the Condensed Consolidated Financial Statements

as of March 31, 2022

(Unaudited)

### Note 7 – Contingent Liabilities (Cont.):

#### A. Legal Proceedings (Cont.):

- 5) A.P. 45845-04-21 Adam Teva V'Din - Israel Union for Environmental Defense v. the Tax Authority

As stated in Note 25D9 to the Annual Financial Statements, on February 22, 2022, a judgment was issued on the petition, in which it was ruled that the Tax Authority's decision to refuse to provide the information requested in the freedom of information application will be revoked, to issue a new decision on the application as decisions are made on other freedom of information applications.

- 6) D.S. 29330-02-22 Nof v. Rotlevy – Motion for approval of a derivative suit

As stated in Note 25D10 to the Annual Financial Statements, on February 14, 2022, the Partnership received a motion for approval of a derivative suit which was filed by a petitioner who claims to hold participation units of the Partnership (the "**Petitioner**") against Messrs. Ligad Rotlevy (Chairman of the Board of the Partnership's GP) and Yigal Landau (CEO and director of the Partnership's GP), Landlan Investments Ltd. and D.L.I.N Ltd. (private companies controlled by entities which the Partnership and the GP treat as control holders of the GP and the Partnership), Ratio Energies Management Ltd. (the Partnership's GP) (the "**Respondents**") and the Partnership (the "**Motion**"). The amount of the claim whose approval is sought was set at approx. ILS 1,024 million. The Petitioner asserts that in the period between December 2007 and December 2009, the Respondents were ostensibly an "Insider", a "Key Insider" and a "Principal Shareholder" of the Partnership, within the meaning of these terms in the Securities Law, 5728-1968, and performed transactions in securities of the Partnership (each for himself), while ostensibly using inside information. The amount of the claim is the profit that the Respondents ostensibly derived (in the aggregate) from such transactions. The Respondents' response to the Motion has not yet been filed.

At this stage, in view of the preliminary stage of the proceeding, the Partnership and its legal counsel are unable to estimate the chances of the Motion being granted. However, based on the information that the Partnership and its legal counsel currently have in their possession, the chances of the claim being accepted are lower than the chances of the claim being denied.

- 7) Proceedings against the operator in the Leviathan Project in connection with the Leviathan platform's activity

As stated in Note 25D11.a to the Annual Financial Statements, on March 2, 2022, the court ordered that the case be transferred to the Haifa District Court.

On May 16, 2022, a pretrial was held, at the end of which the court ordered Chevron to file a response to the motion for a discovery order.

**Ratio Energies – Limited Partnership**  
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**Note 8 – Additional Information:**

Further to the notes to the Annual Financial Statements, below is a description of developments that occurred in the report period until the date of approval of these financial statements:

**A. Royalties**

As stated in Note 18 to the Annual Financial Statements, in its financial statements, the Partnership records expenses of royalties to the State according to an effective rate of 11.26% (according to the requirement of the Ministry of Energy on advance royalty payments). However, the Partnership's position is that the calculation of the actual rate of the royalties in respect of the revenues from the Leviathan Project ought to reflect the complexity of the project, the risks entailed thereby and the amount of the investments in the project. According to a calculation based, *inter alia*, on the principles of the directives mentioned in Note 18 to the Annual Financial Statements, and the specific instructions given for the Tamar lease on September 6, 2020, the Partnership estimates that the actual rate of the royalty to the State should be 10.74% and 10.72% in the 3 months ended March 31, 2022 and the year ended December 31, 2021, respectively. The accumulated difference between the expenditure recorded in the Partnership's financial statements according to the rate of 11.26% and the Partnership's said position, totals approx. \$0.4 million for the 3 months ended March 31, 2022 and approx. \$1.6 million for the year ended December 31, 2021.

According to the foregoing, the Partnership estimates that the actual overriding royalty should be approx. 5.15% in the 3 months ended March 31, 2022 and the year ended December 31, 2021. The difference between the expenditure recorded in the Partnership's financial statements according to the rate of 5.4% and the royalties calculated according to the Partnership's said position, totals approx. \$0.2 million for the 3 months ended March 31, 2022 and approx. \$0.8 million for the year ended December 31, 2021.

It is noted that, as of the date of approval of the financial statements, the holders of the interests in Leviathan have not yet been provided with specific instructions specifying the deductible expenses for the purpose of calculation of the royalty, in accordance with the specific characteristics of the reservoir. Upon determination of a final royalty rate with the Ministry of Energy, an adjustment shall be made accordingly.

**B. Shelf Prospectus**

On February 13, 2020, the Partnership released a shelf prospectus for the offering of various securities: participation units conferring the right to participate in the rights of the LP (the trustee) of the Partnership, which are held and operated by the LP in escrow for the benefit of the unit holders, under the supervision of the Supervisor (the "**Participation Units**"), non-convertible bonds, bonds convertible into Participation Units, warrants exercisable for Participation Units, warrants exercisable for non-convertible bonds, warrants exercisable for convertible bonds, commercial paper and any other securities issuable by law under the shelf prospectus at the relevant time. On February 6, 2022, the ISA decided to extend the period for the offering of securities under the shelf prospectus by one year, i.e., until February 13, 2023.

## Ratio Energies – Limited Partnership

### Notes to the Condensed Consolidated Financial Statements

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(Unaudited)

#### Note 9 – Taxes on income

- A. As stated in Note 14A to the Annual Financial Statements regarding the Income Tax Regulations that were published in the Official Gazette in September 2021 whereby, from 2022, the Partnership is taxed as a company, the Partnership recorded in the report period current and deferred tax expenses in the sum of approx. \$11.3 million. Until December 31, 2021 the Partnership was not a tax-paying entity and its income for tax purposes was carried to the participation unit holders. Starting from January 2022, the current taxes are recorded as tax expenses in the Statement of Financial Position.
- In view of the legislative amendment that was completed as aforesaid in September 2021, in 2021 the Partnership recorded for the first time deferred tax expenses in the sum of approx. \$24.7 million due to temporary differences (which mainly derive from investments in oil and natural gas assets).
- B. As stated in Note 15F to the Annual Financial Statements, in December 2021 the Partnership made payments in the sum of approx. \$13.2 million (approx. ILS 41.5 million) for corporate tax advances for the tax year 2021. Furthermore, in January 2022 the Partnership made additional payments, such that a fixed and uniform amount was paid as a tax payment for each participation unit for an individual holder, and as a balancing payment for a corporate holder in the amount of approx. \$13.9 million (approx. ILS 43.3 million). In total, the Partnership paid approx. \$27.1 million (approx. ILS 84.8 million).

#### Note 10 – Financial Instruments and Financial Risks

##### A. Fair value disclosures

Set forth below are figures regarding the fair value hierarchy of the financial instruments measured at fair value which were recognized in the condensed consolidated statement of financial position:

##### Level 1:

The table below presents the Group's financial assets which are all measured at fair value at Level 1 of the fair value hierarchy (quoted price in active market):

	<b>As of March 31</b>		<b>As of Dec. 31</b>
	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>(Unaudited)</b>		<b>(Audited)</b>
	<b>\$ in thousands</b>		
<b>Current assets -</b>			
Financial assets at fair value through profit or loss	15,295	5,743	10,976
<b>Non-current assets -</b>			
Financial assets at fair value through profit or loss – Investment in Ratio Petroleum Energy – Limited Partnership	5,068	8,888	5,509
<b>Total assets</b>	<b>20,363</b>	<b>14,631</b>	<b>16,485</b>

##### Level 2

During the 3-month period ended March 31, 2022, and the 12-month period ended December 31, 2021, no transfers were made between Level 1 and Level 2.

## Ratio Energies – Limited Partnership

Notes to the Condensed Consolidated Financial Statements

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(Unaudited)

### Note 10 – Financial Instruments and Financial Risks (Cont.):

#### B. The fair value of financial assets and financial liabilities measured at amortized cost

The book value of the financial assets and the financial liabilities as of March 31, 2022, including cash and cash equivalents, other receivables, short-term investments, short-term deposits, trade payables, other payables, loans from banking corporations and other liabilities, with the exception of liabilities in respect of bonds, is consistent with or reasonably proximate to the fair value thereof.

The fair value of liabilities in respect of bonds is specified below. The fair value measurement is based on the price of the bonds on the TASE as of such date:

	As of March 31		As of Dec. 31
	2022	2021	2021
	(Unaudited)		(Audited)
	\$ in thousands		
<b>Fair value:</b>			
Series B Bonds*	136,419	206,103	138,901
Series C Bonds	134,733	200,497	131,953
Series D Bonds	97,906	-	96,434
Total	<u>369,156</u>	<u>406,600</u>	<u>367,288</u>

\* Net of Series B Bonds that were purchased by the Partnership

#### C. Management of financial risks

The Group's operations expose it to a variety of financial risks: Market risk (including currency risk, fair value risk in respect of interest rate, cash flow risk in respect of interest rate, price risk, natural gas and condensate price risk), credit risk and liquidity risk.

As noted above, the Interim Financial Information does not include the information and disclosures required in annual financial statements, *inter alia*, with respect to the Group's financial risk management, and the Interim Financial Information should be read in conjunction with the Annual Financial Statements.

There have been no material changes in the Group's financial risk management policy relative to the policy reported thereby in the Annual Financial Statements.

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**Note 11 – Subsequent Events**

- A. Ratio Energies Management Ltd. – change of name**  
See Note 1C for subsequent development.
- B. The Russia-Ukraine war**  
See Note 1E for subsequent development.
- C. Construction of the Ashdod-Ashkelon combined section**  
See Note 4B for subsequent development.
- D. Signing of an MOU between Chevron and PEI**  
See Note 4C for subsequent development.
- E. Supply of natural gas to the domestic market**  
See Note 4D for subsequent development.
- F. Oil Fields Exploration (1992) - Limited Partnership (in liquidation) v. Eitan Aizenberg Ltd. et al.**  
See Note 7A3 for subsequent development.
- G. Proceedings against the operator in the Leviathan Project in connection with the Leviathan platform's activity**  
See Note 7A7 for subsequent development.

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