Ratio Energies

Financial Report

As of 30.6.2022

Ratio Energies – Limited Partnership

Interim Financial Information

(Unaudited)

June 30, 2022

This report is a translation of Ratio Energies, Limited Partnership's Hebrew-language unaudited Interim Financial Information as of June 30, 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.

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Interim Financial Information

(Unaudited)

June 30, 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 June 30, 2022 and the Condensed Consolidated Statements of Comprehensive Income, the Changes in the Partners' Equity and the Cash Flows for the six- and three-month periods 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 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 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,
August 30, 2022

Kesselman & Kesselman
Certified Public Accountants
Member of PricewaterhouseCoopers International Limited

Ratio Energies – Limited Partnership

Condensed Consolidated Statement of Financial Position

as of June 30, 2022

	June 30		December 31
	2022	**2021**	**2021**
	(Unaudited)		**(Audited)**
	$ in thousands		
Assets			
Current assets:			
Cash and cash equivalents	161,393	138,856	125,383
Financial assets at fair value through profit or loss	13,985	5,879	10,976
Short-term deposits	63,707	67,200	64,174
Trade and other receivables:			
Trade receivables	75,184	48,984	47,941
Operator of joint venture	5,250	-	2,310
Ratio Trusts Ltd. – the trustee – current account	277	306	338
Ratio Energies Management Ltd. – the GP (formerly Ratio Oil Explorations Ltd.) – current account	-	4,744	883
Other receivables	2,514	1,103	1,406
Total current assets	322,310	267,072	253,411
Non-current assets:			
Financial assets at fair value through profit or loss – investment in Ratio Petroleum	4,227	10,345	5,509
Other long-term assets, net	71,559	59,396	59,393
Restricted deposits	13,630	11,673	14,707
Fixed assets, net	61	59	57
Investments in oil and natural gas assets, net	809,868	812,884	811,832
Total non-current assets	899,345	894,357	891,498
Total assets	1,221,655	1,161,429	1,144,909
Liabilities and the partners' equity			
Current liabilities:			
Trade and other payables:			
Trade payables	237	127	44
Payables of joint venture	13,597	8,801	11,462
Ratio Energies Management Ltd. – the GP (formerly Ratio Oil Explorations Ltd.) – current account	487	-	-
Others	92	-	92
Joint venture operator	-	3,017	-
Current maturities of bonds	112,171	117,808	125,772
Interest payable	30,816	43,745	15,662
Payables	5,477	6,499	4,905
Options for consultants	-	29	7
Provision for balancing and tax payments	-	-	13,920
Current taxes payable	9,804	-	-
Total current liabilities	172,681	180,026	171,864
Non-current liabilities:			
Provision for oil and natural gas asset retirement and disposal obligation	14,618	17,348	20,782
Bonds	207,800	250,514	214,560
Loans from banking corporations, net	488,869	485,354	487,112
Deferred taxes	37,468	-	24,723
Total non-current liabilities	748,755	753,216	747,177
Total liabilities	921,436	933,242	919,041
Partners' equity	300,219	228,187	225,868
Total liabilities and partners' equity	1,221,655	1,161,429	1,144,909

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

Ligad Rotlevy	**Yigal Landau**	**Amir Brami**
Chairman of the Board	**CEO and Board Member**	**CFO**

Date of approval of the Interim Financial Information by the GP's board: August 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 6- and 3-month periods ended June 30, 2022

	6 months ended June 30		3 months ended June 30		Year ended December 31,
	2022	**2021**	**2022**	**2021**	**2021**
	(Unaudited)				**(Audited)**
	$ in thousands (other than figures of profit per participation unit)				
Revenues					
From the sale of natural gas	178,529	145,604	96,550	73,644	293,354
Net of royalties	(24,976)	(24,261)	(11,314)	(12,269)	(48,887)
	153,553	121,343	85,236	61,375	244,467
Expenses and costs					
Natural gas and condensate production cost	22,257	17,440	11,616	8,943	37,337
Depreciation and amortization expenses	14,297	14,554	7,286	7,462	27,998
Oil and natural gas exploration expenses, net	63	735	63	47	1,093
G&A expenses, net	4,495	2,366	2,510	1,317	6,733
Total expenses and costs	41,112	35,095	21,475	17,769	73,161
Operating income	112,441	86,248	63,761	43,606	171,306
Financial income	12,606	2,731	8,572	1,831	291
Financial expenses	(28,147)	(36,352)	(15,244)	(17,481)	(69,433)
Financial expenses, net	(15,541)	(33,621)	(6,672)	(15,650)	(69,142)
Income before income taxes	96,900	52,627	57,089	27,956	102,164
Income taxes	(22,549)	-	(11,204)	-	(24,723)
Net profit and comprehensive income for the period	74,351	52,627	45,885	27,956	77,441
Basic and diluted profit per participation unit (in $)	0.066	0.047	0.041	0.025	0.069

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 6- and 3-month periods ended June 30, 2022

	Equity of the Partnership	Capital Reserve from Control Holders	Loss Balance	Total Equity
		$ in thousands		
Balance as of January 1, 2022 (audited)	318,864	1,101	(94,097)	225,868
Movement in the 6 months ended June 30, 2022 (unaudited) **-**				
Net profit and comprehensive income for the period	-	-	74,351	74,351
Balance as of June 30, 2022 (unaudited)	318,864	1,101	(19,746)	300,219
Balance as of January 1, 2021 (audited)	318,846	1,101	(144,387)	175,560
Movement in the 6 months ended June 30, 2021 (unaudited) **-**				
Net profit and comprehensive income for the period	-	-	52,627	52,627
Balance as of June 30, 2021 (unaudited)	318,846	1,101	(91,760)	228,187
Balance as of April 1, 2022 (audited)	318,864	1,101	(65,631)	254,334
Movement in the 3 months ended June 30, 2022 (unaudited) -				
Net profit and comprehensive income for the period	-	-	45,885	45,885
Balance as of June 30, 2022 (unaudited)	318,864	1,101	(19,746)	300,219
Balance as of April 1, 2021 (audited)	318,846	1,101	(119,716)	200,231
Movement in the 3 months ended June 30, 2021 (unaudited) -				
Net profit and comprehensive income for the period	-	-	27,956	27,956
Balance as of June 30, 2021 (unaudited)	318,846	1,101	(91,760)	228,187
Balance as of January 1, 2021 (audited)	318,846	1,101	(144,387)	175,560
Movement during 2021 (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
Balance as of December 31, 2021 (audited)	318,864	1,101	(94,097)	225,868

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 6- and 3-month periods ended June 30, 2022

(Cont.) – 1

	6 months ended June 30		3 months ended June 30		Year ended December 31
	2022	2021	2022	2021	2021
	(Unaudited)				(Audited)
	$ in thousands				
Cash flows from operating activities:					
Net cash deriving from operations, see Annex A	72,233	90,083	33,297	42,149	122,118
Interest received	320	146	224	92	308
Dividend received	26	4	15	3	14
Total net cash deriving from operating activities	72,579	90,233	33,536	42,244	122,440
Cash flows from investment activities:					
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	467	(21,060)	11,721	(2,413)	(18,034)
Deposit of restricted deposits	(144)	(3,940)	(144)	-	(6,253)
Investment in other assets	(6,913)	(7,568)	(994)	(572)	(10,593)
Purchase of fixed assets	(13)	-	(9)	-	(6)
Investment in oil and natural gas assets	(14,036)	(3,974)	(10,734)	(918)	(9,288)
Total net cash used for investment activities	(20,639)	(41,127)	(160)	(3,903)	(48,759)
Cash flows from financing activities:					
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)
Total net cash deriving from financing activities	(13,920)	-	-	-	(38,685)
Increase in cash and cash equivalents	38,020	49,106	33,376	38,341	34,996
Balance of cash and cash equivalents at the beginning of the period	125,383	89,781	130,980	100,460	89,781
Profits (losses) from exchange rate differences on cash and cash equivalents	(2,010)	(31)	(2,963)	55	606
Balance of cash and cash equivalents at the end of the period	161,393	138,856	161,393	138,856	125,383

Ratio Oil Exploration (1992) – Limited Partnership

Condensed Consolidated Statement of Cash Flows

for the 6- and 3-month periods ended June 30, 2022

(End) – 2

	6 months ended June 30		3 months ended June 30		Year ended December 31
	2022	2021	2022	2021	2021
	(Unaudited)				(Audited)
	$ in thousands				
(A) Annex to the condensed consolidated report on cash flows -					
Net cash derived from operations:					
Net profit and comprehensive income for the period	74,351	52,627	45,885	27,956	77,441
Adjustments for:					
Interest and dividend revenues	(346)	(150)	(239)	(95)	(322)
Depreciation and amortization	14,458	14,554	7,286	7,462	27,998
Non-cash revenues and expenses:					
Losses (profits) from exchange rate differences on cash and cash equivalents	2,010	31	2,963	(55)	(606)
Income taxes	22,549	-	11,204	-	24,723
Expenses (revenues) of exchange rate differences in respect of restricted deposits	1,221	347	982	(172)	(374)
Interest and discount in respect of loans from banking corporations	2,602	1,433	1,705	889	3,233
Expenses (income) of interest on bonds, discount and exchange rate differences	(6,052)	10,937	(9,080)	11,445	(19,724)
Provision for oil and gas asset retirement and disposal obligation	170	114	86	57	231
Loss (profit) from change in the fair value of financial assets at fair value through profit or loss	869	10,161	953	(1,735)	14,419
	111,832	90,054	61,745	45,752	127,019
Changes in operating asset and liability items:					
Decrease (increase) in trade and other receivables:					
Trade receivables	(27,243)	(10,770)	(17,924)	(2,603)	(9,727)
Sale (purchase) of financial instruments at fair value through profit or loss, net	(5,383)	234	(67)	137	(4,285)
Change in balance with Ratio Trusts Ltd.	61	14	53	(7)	*
Royalty rate calculation differences	(4,776)	-	(4,776)	-	-
Other	(1,108)	4	(498)	(32)	(299)
Increase (decrease) in trade and other payables:					
Trade payables	193	106	179	113	23
Payables of joint venture	(688)	174	(2,087)	(749)	653
Other	565	375	245	(1,170)	(1,149)
Change in balance with joint venture operator	(2,552)	807	(1,117)	(3,597)	(114)
Change in balance with Ratio Energies Management Ltd. (formerly - Ratio Oil Explorations Ltd.), the GP	1,332	9,085	(2,456)	4,305	9,997
	(39,599)	29	(28,448)	(3,603)	(4,901)
Net cash derived from operations	72,233	90,083	33,297	42,149	122,118
(B) Information on non-cash activities:					
Investment in oil and natural gas explorations	12,315	2,841	3,593	(4,303)	9,492
Investment in other assets	(388)	-	(388)	-	-
Oil and gas asset retirement obligation against oil and natural gas assets	(6,334)	(1,818)	(2,552)	2,080	1,499
Joint venture operator	-	2,949	-	2,949	-
Declared tax and balancing payments	-	-	-	-	13,920
(C) Interest paid	12,252	9,933	7,489	4,798	69,680

* Represents an amount lower than $1 thousand

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 interests in eight other licenses in Israel together with two international energy companies (for details on the Partnership's decision, subsequent to the Statement of Cash Flows, to waive all of its rights in the said licenses, see Note 4B below).

B. The Partnership's income in the report period 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 by Blue Ocean Energy in Egypt and in the domestic market by various customers primarily 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:

	6 months ended June 30		**3 months ended June 30**		**Year ended December 31**
	2022	**2021**	**2022**	**2021**	**2021**
	(unaudited)				**(audited)**
Revenues (in millions of $)					
Export Markets	137.1	83.2	76.4	42.1	186.0
Domestic market	41.4	62.4	20.1	31.5	107.4
	178.5	**145.6**	**96.5**	**73.6**	**293.4**
Quantities (BCM)*					
Export Markets	0.57	0.43	0.30	0.21	0.93
Domestic market	0.26	0.39	0.12	0.20	0.68
	0.83	**0.82**	**0.42**	**0.41**	**1.61**

* 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.

Note 1 – General (Cont.):

C. (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 June 30, 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 June 30, 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.

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

Note 1 – General (Cont.):

E. The Russia-Ukraine war and the energy crisis in Europe

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, a global energy crisis emerged, which is expressed, *inter alia*, in the concern of a long-term shortage of natural gas and oil, that led to a 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.
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 pipeline to Europe and a demand for LNG. This was expressed in mid-June with the signing of a joint MOU by Israel, Egypt and the EU, whereby the parties will work to promote the export of natural gas to the EU countries, while maintaining the energy security and the capacity for supply to the local market. 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 June 30, 2022 and for the 6- and 3-month interim periods 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.

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 discretions

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 and the energy crisis in Europe 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.

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

D. Non-inclusion of separate financial information in the condensed consolidated financial statements (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 other 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 Condensed Consolidated 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.

Note 4 – Investments in Oil and Natural Gas Assets:

A. Developments in the Leviathan Leases:

1) 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 was preformed as planned and was completed in June 2022. The well is expected to be connected to the existing subsea production system of the Leviathan Reservoir in Q1/2023, following completion work.

2) 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 the operator in the Leviathan Leases, 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. However, in August 2022 Chevron updated the Partnership that INGL had notified it that the anticipated date of commencement of piping is in May 2023.

3) 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 negotiating for the signing of such binding agreement.

4) In April 2022, the Petroleum Commissioner notified Chevron that from June 1, 2022 to September 15, 2022 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.

5) 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.

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

A. Developments in the Leviathan Leases (Cont.)

5) (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 6 below for details on the uncertainty in reserves and contingent resources evaluation of natural gas and condensate.

6) 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.

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

B. Cluster A and Cluster C licenses for offshore natural gas exploration in Israel:

Further to Note 8D to the Annual Financial Statements regarding Licenses 39, 40, 47 and 48 (Cluster A) and Licenses 45, 46, 52 and 53 (Cluster C) (collectively, the "**Licenses**"), on July 20, 2022, all of the partners in the Licenses unanimously decided to submit a notice to the Petroleum Commissioner whereby the partners in the Licenses are waiving all of their interests therein. On July 26, 2022, such notice was delivered to the Petroleum Commissioner and accordingly the Licenses will expire on October 27, 2022.
The Licenses constitute a negligible petroleum asset in relation to the entire activity and assets of the Partnership.

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.

A. Series B and Series C Bonds

On August 31, 2021, in accordance with the terms of the Series B and Series C bonds, one third of the nominal value of the Series B and Series C bonds will be repaid in the sum of approx. $52.3 million (which is the net amount after offsetting the Partnership's share, see Note 11B4A to the Annual Financial Statements) and a sum of approx. $59.3 million, respectively. Accordingly and on the same date, the Partnership will pay Ratio Financing the Partnership's liabilities for payment of the principal and interest in respect of the Series B bonds (net of the Partnership's share, see Note 11B4A to the Annual Financial Statements) and the Series C bonds.

B. Further to Note 11A to the Annual Financial Statements regarding a loan agreement between Leviathan Development and a consortium of local and foreign banks (the "**Financing Agreement**"), 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**").
On August 1, 2022, an amendment to the Financing Agreement was signed which includes several amendments and updates in connection with the ongoing operation of the Financing Agreement and includes, among others, the main changes below:

1) **Changing the base interest from Libor to SOFR (Secured Overnight Financing Rate)**

The Financing Agreement stipulated a mechanism to determine an alternative base interest rate instead of the Libor interest, after the use thereof is discontinued (The FCA (Financial Conduct Authority) announced the cessation of trading in the Libor interest on June 30, 2023 (the "**Official Transition Day**")). In the amendment to the Financing Agreement, provisions were set in connection with the transition so that starting from the actual transition date, the Loan will be linked to the TERM SOFR interest which is published by an authorized body, the CME GROUP (Chicago Mercantile Exchange) plus a credit margin. This interest is a forward-looking periodic interest rate based on the SOFR interest. The date of application of the new interest will be at the borrower's choice and with the approval of the majority of lenders as specified in the Financing Agreement, and no later than the Official Transition Date. As of the date of approval of the financial statements, the transition date has not yet been determined.

Note 5 – Financing of the Leviathan Project (Cont.)**:**
B. **(Cont.)**

2) **Determining appropriate provisions in connection with hedging transactions to protect the Loan interest rate**

Further to the general provisions stipulated in the Financing Agreement in connection with the borrower's hedging ability, it was agreed in the amendment to the Financing Agreement on the language of a framework agreement for future hedging transactions in relation to the Loan interest, in accordance with the then-prevailing conditions. Provisions have been established that the hedging entities with which the borrower will be allowed to enter into hedging transactions in the future, will be exclusively from among the lenders or affiliates thereof. In addition, agreements were reached on the language of an intercreditor agreement to be signed between the lenders and the future hedgers, which includes the arrangements according to which the lenders and hedgers will be able to exercise their rights in the joint collateral in accordance with the enforcement rights already established in the Financing Agreement.

Further to such amendment to the Financing Agreement, the Partnership intends, subject to the then-prevailing market conditions, to work for the making of additional hedging transactions to protect the interest rate up to a sum total of the Loan amount not to exceed $250 million, until close to the Loan's maturity date.

As of June 30, 2022, the Partnership is in compliance with all financial covenants assumed thereby under the Financing Agreement, and whose highlights were specified in the Annual Financial Statements.

In July 2022, it was confirmed by the lenders that the total amount available for withdrawal would amount to $650 million. The Partnership may use the Loan facility for any of the additional purposes defined in the agreement, mainly payment of expenses and repayment of debts in connection with the Leviathan Project.
As part of the Financing Agreement, the Partnership is given the option of reducing the unused Loan facility and/or early repayment (full or partial) of the Loan, throughout the entire Loan period, without penalties.

As of June 30, 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 June 30, 2022, in the sum of approx. $2.8 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 for the 6- and 3- month periods ended June 30, 2022 amounted to approx. $2.3 million and $1.3 million, respectively, and presented under 'financial expenses, net' item in the Condensed Consolidated Statement of Comprehensive Income.

In addition, in August 2022, the Partnership entered into IRS hedging transactions in the sum of $100 million until the Loan's maturity date. The average interest rate is fixed at approx. 2.82% in lieu of variable interest (LIBOR until July 2023 and Term SOFR from July 2023 until the maturity date).

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:

	6 months ended June 30		3 months ended June 30		Year ended Dec. 31
	2022	2021	2022	2021	2021
	(Unaudited)				(Audited)
	$ in thousand				
Operator fees to the GP	-	771	-	86	771
Management fees to the GP	570	215	285	215	785
Geological advice	72	72	36	36	144
Overriding royalties	8,100	7,868	3,669	3,979	15,855
Director fees and related expenses	233	199	95	107	423
Expenses entailed by the management of the Partnership's business	-	36	-	9	36
Fees to and expenses of the LP, the trustee	1	1	*	*	2

* Representing an amount lower than $1 thousand

Short-term deposits in the Condensed Consolidated Statement of Financial Position include a sum of approx. $58.7 million which is intended to be used for the purchase of Series B bonds and Series C bonds of Ratio Financing, for the Partnership.

Note 7 – Contingent Liabilities:

Legal Proceedings

A. C.A. Olir Trade and Industries. Ltd. v. Ratio Oil Exploration (1992) Limited Partnership *et al.*

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 September 6, 2022.

Although the appeal is in a very early stage, the Partnership estimates, based on its legal counsel, already in this stage, that the chances of the appeal being denied is higher than being granted.

B. Class certification motion – Sapir v. Ratio Oil Exploration (1992) Limited Partnership *et al.*

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.

Note 7 – Contingent Liabilities (Cont.):

B. (Cont.)

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.

On June 14, 2022, the petitioner filed his response to the respondents' answer. In the response, it is argued in essence that the legal test stated in the answer, the "expectancy test", is not the relevant test for reports regarding contractual clauses in signed agreements. The petitioner claims that a stricter legal test should be used for contractual stipulations, and further claims that the stipulation at the core of the certification motion was, in any case material and fundamental. A supplementary opinion was also attached to the response, which includes a response to the claims raised in the opinion on behalf of the respondents.

The hearing on the certification motion is scheduled for June 2023.

The Partnership, based on its legal counsel, estimate that the chances of the motion being denied is higher than being certified.

C. 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.

Dates for pretrial sessions were scheduled and a concluding pretrial hearing was scheduled for February 2023.

In view of the preliminary stage of the proceeding, it is impossible to estimate the chances of the claim being accepted. However, based on its legal counsel, the Partnership estimates that the chances of the claim being accepted are lower than the chances of the claim being denied.

D. HCJ Noble Energy Mediterranean Limited *et al.* 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.

A hearing of the petition is scheduled for November 2022.

Note 7 – Contingent Liabilities (Cont.):

E. A.P. Adam Teva V'Din - Israel Union for Environmental Defense v. the Tax Authority

Further to 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.

F. Motion for approval of a derivative suit - Nof v. Rotlevy *et al.*

Further to 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 for Approval**"). 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.

In June 2022, the Partnership filed a motion for summary dismissal of the Motion for Approval, due to the prescription of the claim (the "**Dismissal Motion**") and in July-August 2022 the parties filed their responses and answers to the Dismissal Motion (the "**Responses to the Dismissal Motion**").
Concurrently with the filing of the Dismissal Motion, the Partnership filed a motion for stay of the Motion for Approval proceedings, claiming *lis alibi pendens* (the "**Motion for Stay of Proceedings**"). The primary ground for the Motion for Stay of Proceedings is that two additional proceedings are pending before the court, the hearing of which has been consolidated, as detailed in sections 2 and 3 above. The Partnership claims that the main issue in all of these proceedings is essentially the same and therefore the hearing of the Motion for Approval should be stayed pending completion of the hearing in the parallel proceedings.

In July 2022, the Petitioner and the other respondents filed their answers to the Motion for Stay of Proceedings

In as early as July the Partnership filed a motion for an extension for the filing of an answer to the Motion for Approval, such that it will be filed after the court's ruling on the Dismissal Motion and the Motion for Stay of Proceeding. On July 20, 2022, the court granted the Partnership a temporary extension to file its response to the Motion for Approval until October 2022. The court added that the extension motion would be decided in the coming days, but no decision has been issued therein to date.

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 Partnership estimates, based on its legal counsel, that the chances of the claim being accepted are lower than the chances of the claim being denied.

Note 7 – Contingent Liabilities (Cont.):

G. Proceedings against the operator in the Leviathan Project in connection with the Leviathan platform's activity

1) Further to 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. In a decision dated July 26, 2022, the court denied most of the discovery motion and granted a small portion of it, ordering Chevron to disclose the decisions of the Ministry of Environmental Protection on the imposition of the sanctions and minutes of hearings held ahead of the imposition of the sanctions. In August 2022, a response on behalf of the petitioner to an argument on behalf of Chevron and several clarifications were filed with the court.

2) Further to Note 25D11(h) to the Annual Financial Statements regarding a hearing held before the Ministry of Environmental Protection for non-compliance with the conditions of the sea discharge permit given to the Leviathan platform and violation of the Prevention of Sea Pollution from Land-Based Sources Law, 5748-1988 (the "**Prevention of Sea Pollution Law**") alleging that Chevron has deviated from the specified criteria for discharge into the sea from the open system, it is noted that on June 28, 2022, Chevron received a letter of demand for details on annual sales turnover according to Section 5(c)(b)(2) of the Prevention of Sea Pollution Law. The letter stated that the information is required for the purpose of determining the amount of the financial sanction that the Ministry of Environmental Protection intends to impose on Chevron for violating terms of marine discharge permit (gas production) no. 24/2021, in connection with the discharge of wastewater that exceeds the marine discharge standards. Chevron submitted the documents to the Ministry of Environmental Protection on July 31, 2022. It is not possible at this stage to estimate the violations for which the financial sanction will be imposed and the amount of the financial sanction that will be imposed, if any**.**

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 the financial statements:

A. Royalties

Further to Note 18 to the Annual Financial Statements regarding instructions for the calculation of the royalty value at the wellhead, on July 24, 2022, the Director of Natural Resources at the Ministry of Energy released specific instructions for the calculation of the royalty value at the wellhead in the Leviathan Project (the "**Specific Instructions**”), setting forth the rate of deductible expenses in the calculation of the royalty at the wellhead from the Leviathan Reservoir. As a result, in the report period, the Partnership made an adjustment to the royalty expenses recorded in the Partnership’s financial statements starting from the date of commencement of supply of gas from the Leviathan Reservoir until the report date to reflect the Specific Instructions.

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, the Partnership estimates that the actual rate of the state royalty should be approx. 10.68% in 2020, approx. 10.79% in 2021 and approx. 10.86% in the 6 months ended June 30, 2022. The accumulated difference between the state royalties actually paid according to the rate of advances that was set (11.26%) and such effective State royalty rate, amounted to approx. $3.2 million and was included in the Statement of Financial Position under the ‘other long-term assets’ item as of June 30, 2022.

The manner of calculating the royalties to the State serves also for calculating the market value at the wellhead of the overriding royalty paid by the Partnership. The difference between the overriding royalties actually paid and such effective overriding royalty rate, amounted to approx. $1.5 million and was included in the Statement of Financial Position under the ‘other long-term assets’ item as of June 30, 2022.

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.

C. Cash-settled options for consultants

Further to Note 15G to the Annual Financial Statements regarding options granted on October 16, 2017 under the “Phantom Plan – Officers and Consultants 2016” (the “**Plan**”), on June 2, 2022, 472,244 options were exercised according to the terms and conditions of the Plan and the option agreement. After the exercise date, no options remain outstanding under the Plan.

D. Dividend distributions

On August 30, 222, the GP’s board approved a profit distribution (interim) in the sum of $25 million, while the effective date for distribution is September 8, 2022. Such profit distribution will be on September 21, 2022.

Note 9 – Taxes on income

A. Further to Note 14A to the Annual Financial Statements regarding the Income Tax Regulations published in the Official Gazette in September 2021 whereby, starting from the 2022 tax year, the Partnership will be taxed as a company for the taxable income. As a result of such change, starting from 2022, the holders of the participation units will be subject to tax regime for profit distributions made by the Partnership, similarly to taxation applicable to a company's shareholder for dividend distributions (namely, the two-phase system). As a result of such amendment, starting from September 30, 2021, the Partnership recognized deferred taxes on income and, starting from March 31, 2022, recorded current tax expenses on income in the Condensed Consolidated Statement of Comprehensive Income.

B. Further to 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

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):

	As of June 30		As of Dec. 31
	2022	2021	2021
	(Unaudited)		(Audited)
	$ in thousands		
Current assets -			
Financial assets at fair value through profit or loss	13,985	5,879	10,976
Non-current assets -			
Financial assets at fair value through profit or loss – Investment in Ratio Petroleum Energy – Limited Partnership	4,227	10,345	5,509
Total assets	18,212	16,224	16,485

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

Level 2

In Q1/2022, the Partnership engaged in financial instruments for the sum of approx. $150 million. The derivative financial instruments are presented under 'long-term assets' and are measured at fair value through profit or loss and are classified as level 2.
The financial assets include CAP options. In order to carry out the valuations for such options, interest and standard deviation data quoted in an active market were used.

All other financial assets of the Partnership that are measured at fair value are classified as level 1. During the 6- and 3-month periods ended June 30, 2022, and the 12-month period ended December 31, 2021, no transfers were made between Level 1 and Level 2.

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 June 30, 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 June 30		As of Dec. 31
	2022	2021	2021
	(Unaudited)		(Audited)
	$ in thousands		
Fair value:			
Series B Bonds*	123,641	214,642	138,901
Series C Bonds	132,668	205,923	131,953
Series D Bonds	89,829	-	96,434
Total	346,138	420,565	367,288

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

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.

Note 11 – Subsequent Events

A. Engagement with INGL for the construction of the Ashdod-Ashkelon combined section

See Note 4A2 for subsequent development.

B. Cluster A and Cluster C licenses for offshore natural gas exploration in Israel

See Note 4B for subsequent development.

C. Signing an amendment to the Financing Agreement and purchase of IRS options

See Note 5 for subsequent development.

D. Approval of the loan amount available for withdrawal

See Note 5 for subsequent development.

E. Nof v. Rotlevy – Motion for approval of a derivative suit

See Note 7F for subsequent development.

F. Proceedings against the operator in the Leviathan Project in connection with the Leviathan platform's activity

See Note 7G for subsequent development.

G. Royalties

See Note 8A for subsequent development.

H. Profit distributions

See Note 8D for subsequent development.

Chapter B

Board of Directors report

This report is a translation of Ratio Energies – Limited Partnership's Hebrew-language Report of the Board of Directors 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.

August 30, 2022

Report of the Board of Directors of the General Partner on the State of the Partnership's Business for the six-month period ended June 30, 2022

The board of directors of the general partner, Ratio Energies Management Ltd.[1] hereby respectfully submits the board of directors' report on the state of business of Ratio Energies – Limited Partnership (the "**Partnership**") and its consolidated companies, Ratio Energies (Financing) Ltd.[2] and Leviathan Development (2016) Ltd. ("**Ratio Financing**" and "**Leviathan Development**" respectively, and collectively with the Partnership – the "**Group**"), as of June 30, 2022 and for the six-month period then ended (the "**Report Period**"), in accordance with the Securities Regulations (Periodic and Immediate Reports), 5730-1970 (the "**Reports Regulations**").

The board of directors report is an integral part of the quarterly consolidated report including all parts thereof. The entire quarterly consolidated report should be read as a single whole.

The Partnership presents quarterly financial statements (the "**Financial Statements**") which consolidate the financial statements of Ratio Financing and Leviathan Development. As of June 30, 2022 and as of the date of approval of the Financial Statements, in addition to holding Ratio Financing and Leviathan Development, the Partnership holds other companies. See Note 1D to the Financial Statements for details.

For a comprehensive description of the Partnership's operations, see below and in Chapter A (Description of the Corporation's Business) of the 2021 periodic report as released on March 31, 2022 (Ref. no.: 2022-01-033438) (the "**Periodic Report**") and in the notes to the annual financial statements for Y2021 (the "**Annual Financial Statements**") and in the notes to the Financial Statements.

Part A – Explanations of the Board of Directors on the State of the Corporation's Business

The Partnership is primarily engaged in the exploration, development and production of natural gas and condensate 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**"), in which the Partnership holds 15% of interests. On December 31, 2019, the piping of natural gas from the Leviathan Reservoir to the domestic market began and in January 2020, the piping of gas to the

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[1] On May 8, 2022, the name of the General Partner of the Partnership was changed from Ratio Oil Exploration Ltd. to Ratio Energies Management Ltd.

[2] On April 4, 2022, the company's name was changed from Ratio Oil Exploration (Financing) Ltd. to Ratio Energies (Financing) Ltd.

export markets began such that from 2020, the Partnership has significant revenues from the sale of natural gas to customers in the export markets and in the domestic market.

In the Report Period, a total quantity of approx. 5.52 BCM (100%) of natural gas was sold from the Leviathan Reservoir, from the beginning of 2022, and until shortly before the date of approval of the report, approx. 7.6 BCM of natural gas was sold from the Leviathan Reservoir (100%), the Partnership's revenues in the Report Period totaled approx. U.S. $178.5 million ("**$**"); EBITDA in the Report Period totaled approx. $127.1 million. For details regarding the results of operations, see Section 3 below.

On August 30, 2022, the board of directors of the General Partner approved the distribution of (interim) profits of $25 million with the record date for distribution being September 8, 2022. The aforesaid profit distribution shall be made on September 21, 2022.

On February 21, 2022, the Partnership changed its name to Ratio Energies – Limited Partnership, *inter alia*, in order for the Partnership's name to reflect more correctly its operations and targets, including in connection with the production of gas from the Leviathan Project and initiatives for projects in the field of renewable energies, subject to the approvals required by law, as well as to reflect, *inter alia*, aspects of social and environmental responsibilities, which are promoted by the Partnership together with its business operations, with the aim of producing and supplying affordable, reliable and clean energy.

Also in this context, close to the release of this report, the ESG report for 2021 will be posted on the Partnership's website. The report includes issues and liabilities that the Partnership assumes over and above those that exist and are that are required according to the existing law, as well as considerations on issues of the environment and sustainability, corporate governance, involvement and support in the community, health and safety, transparency, the working environment in the Partnership, etc. The drafting of the ESG report is done according to a world-leading international reporting standard of the organization Global Reporting Initiative (GRI).

1. <u>Key events in the Report Period and after the date of the report</u> [3]

1.1 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,

[3] This section includes updates on key events that occurred during the Report Period and until shortly before the release of this report, except for updates that had already been included in Chapter A (Description of the Corporation's Business) of the Periodic Report and in the quarterly report as of March 31, 2022 which was released in May 31, 2022 (Ref.: 2022-01-055245).

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 in general and the Partnership's operation, in particular. It is noted that in 2021, Russia supplied approx. 150 BCM of natural gas to European countries that constitute approx. $40 of the total European gas consumption.

European countries seek to diversify their supply of natural gas resources in order to decrease the dependence in natural gas from Russia, which may lead to a significant increase in demand for natural gas from areas with possibility to connect to natural gas pipeline to Europe and for LNG. The Partnership, 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.

In view of the war in Ukraine and its impact on the supply of natural gas to Europe, on May 30, 2022, the Ministry of Energy advertised that the Minister of Energy guided the people of her office to accelerate the strategic preparations for going into a fourth competitive process for natural gas explorations in the Israeli EEZ[4].

Furthermore, on June 15, 2022, a memorandum of understanding was signed between Israel, Egypt and the European Union on collaboration in trade, transport and export of natural gas to the EU countries (the "**MOU**")[5]. According to the MOU, the parties will act for regular supply of natural gas to the EU countries from Egypt, Israel and other locations, through liquefaction of natural gas in liquefaction facilities in Egypt, subject to preservation of the energy security in the domestic market of each of the countries that signed the MOU, and without Israel or Egypt impeding export of natural gas to other countries. In addition, according to the MOU, the EU will encourage European companies to participate in competitive processes and invest in natural gas exploration and production projects in Israel and Egypt.

1.2 The Partnership, together with Chevron Mediterranean Limited ("**Chevron**" or the "**Operator**") and NewMed Energy Limited Partnership ("**NewMed**", and collectively with Chevron and the Partnership: the "**Leviathan Partners**") engaged, during the Report Period until shortly before the date hereof, in several agreements for the supply of natural gas to the domestic market in immaterial amounts.

[4]https://www.gov.il/he/departments/news/press_300522
[5]https://www.gov.il/he/departments/news/ng_150622

1.3 Further to Section 11.2 of the Periodic Report, regarding the Partnership's activity for the promotion of possibilities of use of preexisting and/or new pipelines to regional markets, it is noted that as of the date of approval of the report, the Partnership is examining, together with the Leviathan Partners other possibilities for increasing the export amounts of natural gas through the Jordan Valley terminal ("**Jordan North**") and through a new onshore connection that is planned to be built by Israel Natural Gas Line Ltd. ("**INGL**") between the Israeli transmission system and Egypt at the Nitzana area. In this context, it should also be noted that on June 14, 2022, the Natural Gas Authority published a request for information regarding the ability and intention of the partners in the producing projects to export natural gas through the Jordan North terminal and via the onshore line that is to be built in the Ramat Hovav-Nitzana area. In this request, the aforementioned partners were asked to estimate the quantities of natural gas expected to be exported through these infrastructures, upon completion thereof. Further thereto, on July 25, 2022, Chevron replied to the Natural Gas Authority that the Leviathan Partners are interested in using the full transmission capacity within the aforementioned infrastructures.

1.4 Further to Note 8.1.6(3)D to the Periodic Report and the provisions of Note 8C5 to the Annual Financial Statements regarding the decision of the Leviathan Partners 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 was performed as planned and was completed in June 2022. The well is expected to be connected to the existing subsea production system of the Leviathan Reservoir in Q1/2023, following completion work .

1.5 Further to Section 11.2.3 of the Description of the Corporation's Business Chapter in the Periodic Report and 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 crude oil (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 negotiating for the signing of such binding agreement.

1.6 Further to Section 11.2.4(1) of the Description of the Corporation's Business Chapter in the Periodic Report and to Note 25C1D to the Annual Financial Statements regarding the engagement with INGL, in May 2022, 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. However, it is noted that in August 2022, Chevron informed the Partnership that

INGL has informed it that the anticipated date of commencement of transmission is May 2023.

1.7 Further to Section 20.5 of the Description of the Corporation's Business Chapter in the Periodic Report and to Note 11A to the Annual Financial Statements, on August 1, 2022, an amendment to the financing agreement was signed, which includes several amendments and updates regarding the current operation of the financing agreement and, *inter alia*, provisions regarding replacement of the base interest from LIBOR interest to Secured Overnight Financing Rate (SOFR) interest, such that from the actual transition date, the loan will be linked to the TERM SOFR interest which is published by the competent body Chicago Mercantile Exchange (CME) Group plus credit margin, and determination of appropriate provisions regarding hedging transactions to protect the loan's interest rate. See Note 5 to the Financial Statements for details.

See Section 4.1 below regarding interest rate hedging transactions.

1.8 In April 2022, the Petroleum Commissioner at the Ministry of Energy informed Chevron that from June 1, 2022 until September 15, 2022, the Leviathan partners are required to ensure the supply of natural gas to the local economy in an amount that exceeds the daily quantity that the Leviathan partners committed to supply to the local economy in the gas supply agreements in which they have engaged. In the estimation of the Leviathan partners, this announcement is not expected to have a material effect on the results of the Partnership's activity for 2022.

Caution concerning forward-looking information – The aforesaid estimation with regards to the projected affect on the Partnership's business results constitutes forward-looking information as defined in Section 32A of the Securities Law, 5728-1968. This information is based on assessments and estimates of the Partnership regarding demand and engagements in sale agreements, the materialization of which, in whole or in part, is uncertain and is beyond the Partnership’s control.

1.9 With respect to updates on legal proceedings, see Note 7 to the Financial Statements.

1.10 On July 20, 2022, all of the partners in licenses 39, 40, 47 and 48 (Cluster A) and licenses 45, 46, 52 and 53 (Cluster C) (collectively: the "**Licenses**") unanimously decided to submit a notice to the Petroleum Commissioner at the Ministry of Energy (the "**Commissioner**") whereby the partners in the Licenses are waiving all of their interests therein. On July 26, 2022, such notice was delivered to the Commissioner and accordingly the Licenses will expire on October 27, 2022. It is noted that the Licenses constitute a negligible petroleum asset in relation to the entire activity and assets of the Partnership.

1.11 Further to Section 24.8.2 of the Description of the Corporation's Business Chapter in the Periodic Report, regarding the directives as to the method of calculation of the royalty value at the wellhead, it is stated that on July 24, 2022, the Director released specific directives regarding the method of calculation of the State royalties from the Leviathan Reservoir. See Note 8A to the Financial Statements for additional details.

2. **<u>Below is a table that includes natural gas production data from the Leviathan Project in H1/2022</u>**[6,7]

	Q/1	Q/2
Total output (attributable to the holders of the equity interests of the Partnership) during the period (in MMCF)	14,400.32	14,815.70
Average price per output unit (attributed to the holders of the equity interests of the Partnership) (Dollar per MCF)	5.69	6.52
Average royalties (any payment derived from the output of the production asset including from 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[8]	0.64	0.73
Average royalties (any payment derived from the output of the production asset including from gross income from the petroleum asset) paid per output unit (attributed to the holders of the equity interests of the Partnership) (Dollar per MCF) – General Partner and Geologist[8]	0.31	0.35

[6] The data presented in the table above 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.

[7] Since the sum of the costs entailed by production of the condensate during H1/2022 exceeded the sum of the revenues received in respect thereof, and since the condensate is a byproduct of natural gas production, separate figures were not presented in the table above in connection with the production of the condensate, and all of the costs and expenses in connection with production of the condensate were attributed to the production of the natural gas.

[8] For details regarding State royalties and overriding royalties, see Note 18 and Note 24C1E to the Annual Financial Statements and Note 8A to the Financial Statements.

	Q/1	Q/2
Average production costs per output unit (attributed to the holders of the equity interests of the Partnership) (Dollar per MCF)[9,10]	0.74	0.79
Average net proceeds per output unit (attributed to the holders of the equity interests of the Partnership) (Dollar per MCF)	4.01	4.65

3. **Results of operations and financial position**

3.1 Below is the main breakdown regarding the Partnership's Condensed Consolidated Statement of Comprehensive Income:

	For the six-months ended June 30		For the three-months ended June 30		For the year ended Dec. 31
	2022	2021	2022	2021	2021
	$ in millions				
Revenues					
From natural gas sales	178.5	145.6	96.5	73.6	293.4
Net of royalties	(25.0)	(24.3)	(11.3)	(12.2)	(48.9)
Revenues, net	**153.5**	**121.3**	**85.2**	**61.4**	**244.5**
Expenses and costs:					
Cost of natural gas and condensate production	(22.3)	(17.4)	(11.6)	(8.9)	(37.4)
Depreciation and amortization expenses	14.3))	(14.6)	(7.3)	(7.5)	(28.0)
Oil and natural gas exploration costs, net	*	(0.7)	*	(0.1)	(1.1)
G&A expenses, net	(4.5)	(2.4)	(2.5)	(1.3)	(6.7)
Operating income	**112.4**	**86.2**	**63.7**	**43.6**	**171.3**
Financing expenses, net	(15.5)	(33.6)	(6.6)	(15.6)	(69.1)
Profit before tax on income	**96.9**	**52.6**	**57.1**	**28.0**	**102.2**
Tax on income	(22.6)	-	(11.3)	-	(24.7)
Net profit and other comprehensive profit for the period	**74.3**	**52.6**	**45.8**	**28.0**	**77.5**
Sales of natural gas in BCM[11]	**5.52**	**5.48**	**2.80**	**2.77**	**10.72**
Condensate production in Israel (in thousands of barrels)[12]	**435.9**	**428.8**	**220.6**	**217.9**	**837.7**

* Represents an amount lower than $100 thousand

[9] It is noted that the average production costs per output unit include costs for the transmission of natural gas through INGL's transmission system to EMG's terminal in Ashkelon for the purpose of supplying gas to Egypt in the sum of approx. $25.1 million in Q1/2022 and in the sum of approx. $31.8 million in Q2/2022 (100%).

[10] The average production costs per output unit include current production costs only and do not include costs for exploration and development of the reservoir, future abandonment costs and levy and tax payments to be paid in the future by the Partnership.

[11] The data refers to sales of natural gas from the Leviathan Project (100%), rounded off to two digits after the decimal point.

[12] The data refers to the production of condensate from the Leviathan Project (100%) rounded off to thousands of barrels, see also Note 25C1I to the Annual Financial Statements regarding an agreement in connection with the sales of condensate from the Leviathan Reservoir.

3.1.1 **Revenues, net** – Revenues from the sale of natural gas in the Report Period totaled approx. $178.5 million compared with approx. $146.5 million in the same period last year, up approx. 23%. Revenues from the sale of natural gas in Q2/2022 totaled approx. $96.5 million compared with approx. $73.6 million in the same period last year, up approx. 31%. The increase between the periods derives mainly from the increase in the prices of natural gas sold in the export markets, which is partially linked to the price of Brent barrel, as well as from the increase in the quantities of natural gas that were sold to Egypt (the average price of natural gas sold to Egypt is higher than the price in the local market). Total revenues include revenues to the State and overriding revenues in accordance with the Partnership agreement. Expenses for the royalties in the Report Period, totaled approx. $25.0 million compared with approx. $24.3 million in the same period last year. Expenses for royalties in Q2/2022 totaled approx. $11.3 million compared with approx. $12.2 million in the same period last year. From the date of commencement of the supply of gas from the Leviathan Reservoir, the Leviathan Partners pay the State advances on account of State royalties for the income from the Leviathan Project at a rate of 11.26%, and the Partnership also pays overriding royalties of approx. 5.40% in accordance with the Partnership agreement[13]. However, in view of publication of specific directives regarding the method of calculation of the royalty value at the wellhead in the Leviathan Project (the "**Specific Directives**") by the Director of Natural Resources at the Ministry of Energy on July 24, 2022, the Partnership made an adjustment to the royalties expenses recorded in the Partnership's Financial Statements, from the date of commencement of the supply of natural gas from the Leviathan Reservoir until the date of the balance sheet, so as to reflect the aforesaid Specific Directives. For further details regarding the royalties, see Note 18 and Note 24C to the Annual Financial Statements and Note 8A to the Financial Statements.

[13] The royalty rates may be different as a result of deduction of expenses for the gas transmission and treatment systems up to the actual delivery points. The method of calculation of the said overriding royalties rate is done in accordance with the principles according to which the State royalties for the project are calculated, and therefore the said rate may change insofar as the method of calculation of the State royalties changes. For further details, see Note 18 and Note 24c to the Annual Financial Statements and Note 8A to the Financial Statements.

Below is a breakdown of the quantities of natural gas sold in the Report Period according to the customers' geographic location:

	For the six-month period ended June 30		For the three-month period ended June 30		For the year ended Dec. 31
	2022	**2021**	**2022**	**2021**	**2021**
	BCM				
Israel	1.74	2.62	0.85	1.36	4.55
Jordan	1.30	1.27	0.63	0.62	2.74
Egypt	2.48	1.59	1.32	0.79	3.43
Total	**5.52**	**5.48**	**2.80**	**2.77**	**10.72**

3.1.2 **Cost of natural gas and condensate production** mainly includes expenses of management and operation of the project, including expenses of shipping and transport, salaries, consulting, maintenance, insurance and the cost of transmission of natural gas to Egypt. The cost of natural gas and condensate production in the Report Period totaled approx. $22.3 million, compared with approx. $17.4 million in the same period last year, up around 28%. In Q2/2022, the cost of natural gas and condensate production totaled approx. $11.6 million compared with approx. $8.9 million in the same period last year, up approx. 30%. The increase in the Report Period mainly derives from the increase in the sales of natural gas to Egypt and consequently as a result of the increase in transportation and shipping expenses and costs of transmission of gas to Egypt.

3.1.3 **Depreciation and amortization expenses** in the Report Period totaled approx. $14.3 million, compared with approx. $14.6 million in the same period last year. In Q2/2022, depreciation and amortization expenses totaled approx. $7.3 million compared with approx. $7.5 million in the same period last year. The expenses mainly reflect the depreciation depletion expenses for the investments in the development of the Leviathan gas reservoir and depreciation expenses for other long-term assets.

3.1.4 **Oil and natural gas exploration expenses, net** in the Report Period totaled approx. $63 thousand compared with approx. $700 thousand in the same period last year. In Q2/2022, oil and gas exploration expenses, net, totaled approx. $63 thousand compared with approx. $100 thousand in the same period last year. The decrease between the comparison periods derives mainly from the decision of the partners in Cluster A and Cluster C licenses, to waive all of their interests in the licenses. For further details, see also Note 4B to the Financial Statements.

It is noted that expenses for operator fees to the General Partner were included in the 'oil and natural gas exploration expenses, net' item, until April 22, 2021, see also Note 24C1C to the Annual Financial Statements.

3.1.5 **G&A expenses, net** in the Report Period totaled approx. $4.5 million, compared with approx. $2.4 million in the same period last year. The expenses include mainly expenses for professional services, payroll expenses and management fees for the General Partner. The increase in the total expenses in the Report Period compared with the same period last year derives mainly from a change to the management services arrangement between the Partnership and the General Partner that applies from April 23, 2021, as approved by the general meeting on May 27, 2021. For further details regarding the aforesaid arrangement, see Note 24C1D to the Annual Financial Statements. It is noted that from April 23, 2021, the payments for operator fees have been cancelled (as specified in Note 24C1C to the Annual Financial Statements) which were included in the 'oil and natural gas exploration expenses, net' item, as provided in Section 3.1.4 above and were not presented in the 'G&A expenses, net' item.

G&A expenses, net, in Q2/2022 totaled approx. $2.5 million compared with approx. $1.3 million in the same period last year. The increase mainly derived from the expenses for the aforesaid management services arrangement.

3.1.6 **Financial expenses, net** in the Report Period totaled approx. $15.5 million compared with financial expenses, net of approx. $33.6 million in the same period last year.
Below are the main changes in the 'financial expenses, net' item in the Report Period compared with the same period last year:

a. In the Report Period, financing costs in connection with the bonds and loans from banking corporations, that were provided for the financing of the Leviathan Leases, in the amount of approx. $24.6 million were recorded in the 'financial expenses' item, compared with approx. $25.9 million in the same period last year.

b. The total financial costs include exchange rate differences due to changes in the dollar exchange rate. Total income from exchange rate differences due to the increase in the dollar exchange rate in the comparison period totaled approx. $9.7 million in the Report Period compared with approx. $2.6 million in the same period last year.

c. The fair value of the CAP options in the Report Period increased by approx. $2.3 million, which were purchased by the Partnership within the framework of the Partnership's risk management. For further details, see Note 5 to the Financial Statements.

d. In the Report Period the fair value of the Partnership's investment in Ratio Petroleum Energy – Limited Partnership ("**Ratio Petroleum**") decreased by approx. $1.3 million. In the same period last year, the expenses from revaluation of the Partnership's investment in Ratio Petroleum Energy – Limited Partnership, totaled approx. $10.3 million.

Financial expenses, net in Q2/2022 totaled approx. $6.6 million compared with financial expenses, net, of approx. $15.6 million in the same period last year. Below are the main changes in the 'financial expenses, net' item in Q2/ 2022 compared with the same period last year:

a. In Q2/2022, financing costs in connection with the bonds and loans from banking corporations that were provided for the financing of the Leviathan Leases, in the amount of approx. $12.8 million were recorded in the 'net financial expenses' item, compared with approx. $13.0 million in the same period last year.

b. The total financial costs include exchange rate differences due to changes in the dollar exchange rate. Total income from exchange rate differences due to the increase in the dollar exchange rate in the comparison period totaled approx. $6.7 million in the Report Period compared with approx. $4.3 million in the same period last year.

c. In Q2/2022, due to an increase in the fair value of the CAP options, income from revaluation was recorded in the sum of approx. $1.3 million, which were purchased by the Partnership within the framework of the Partnership's risk management. For further details, see Note 5 to the Financial Statements.

d. In Q2/2022 the fair value of the Partnership's investment in Ratio Petroleum Energy – Limited Partnership ("**Ratio Petroleum**") decreased by approx. $1 million. In the same period last year, the income from revaluation of the Partnership's investment in Ratio Petroleum Energy – Limited Partnership, totaled approx. $1.5 million.

It is also noted that part of the securities balances in the Partnership's investment portfolio are mainly exposed to changes in the market situation and the exchange rate between the shekel and the dollar. In the management of liquid sources, fluctuations in the capital market and the relationship between the exchange rates of the shekel and the dollar, are taken into account. The impact of these factors is reflected in the 'financial expenses, net' item.

3.1.7 **Taxes on income** in accordance with the amendment to the Income Tax Regulations “Rules for the Calculation of Tax due to the Holding and Sale of Participation Units in Oil Exploration Partnerships” from 2021 (the “**Amendment to the Income Tax**

Regulations"), from 2022, a change occurred in the tax regime that applies to the Partnership, and it is taxed as a company. Following the said Amendment to the Income Tax Regulations, the Partnership recorded, in the Report Period, expenses for taxes on income (current and update of the liabilities for deferred taxes) in the sum of approx. $22.5 million. In Q2/2022, expenses for taxes on income (current and update of the liabilities for deferred taxes) totaled approx. $11.2 million.

It is noted that from September 30, 2021, with the release of the Amendment to the Income Tax Regulations, the Partnership recognized a liability for deferred taxes, for the first time.

3.2 **Current assets** as of June 30, 2022 totaled approx. $322.3 million, compared with a total of approx. $253.4 million as of December 31, 2021.

The Group's current assets as of June 30, 2022 consist mainly of cash and cash equivalents, financial assets at fair value through profit or loss and short-term deposits (which are mainly intended to be used for the purchase of Series B and C bonds issued by Ratio Financing, for the Partnership), in the amount of approx. $239.1 million compared with a total of approx. $200.5 million as of December 31, 2021. The increase is mainly due to revenues from sales of natural gas during the Report Period, net of payment of royalties and payments for the development and operation of the Leviathan Project, tax and balancing payments and payment of current expenses.
Furthermore, the Partnership's current assets as of June 30, 2022 include a trade receivables balance of approx. $75.2 million compared with a total of approx. $47.9 million as of December 31, 2021 for the supply of natural gas from the Leviathan Reservoir. The increase in the trade receivables balance between the periods is due to an increase in the volume of sales from the Leviathan Project.

3.3 **Non-current assets** as of June 30, 2022 totaled approx. $899.3 million, compared with approx. $891.5 million as of December 31, 2021.

Below are the main changes to the 'non-current assets' item in the Report Period:

3.3.1 Investments in oil and natural gas assets, net, excluding the disposal asset, as of June 30, 2022, total approx. $797.4 million compared with approx. $792.8 million as of December 31, 2021. The change in the Report Period derived mainly from investments in the Leviathan Project of approx. $16.8 million. Conversely, the Partnership recorded depreciation and amortization expenses of approx. $12.1 million.

3.3.2 The asset for retirement and disposal, presented in the 'investments in oil and natural gas assets, net' item, as of June 30, 2022 totaled approx. $12.4 million compared with a total of approx. $19.0 million as of December 31, 2021. The decrease derives mainly from the update of the estimate of the asset for retirement and disposal in the sum of approx. $6.3 million following the increase of the market interest that serves for capitalization.

3.3.3 Other long-term assets, net, as of June 30, 2022 totaled approx. $71.6 million compared with approx. $59.4 million as of December 31, 2021. The increase derives mainly from: 1) An adjustment made by the Partnership to the royalties expenses in the sum of approx. $4.8 million so as to reflect the Specific Directives determined on July 24, 2022 by the Director of Natural Resources at the Ministry of Energy regarding the method of calculation of the royalty value at the wellhead in the Leviathan Project. 2) Investments in the construction of the Ashdod-Ashkelon offshore transmission system section in accordance with a transmission agreement and additional development investments for the purpose of exporting natural gas to Egypt presented, net of depreciation expenses in the sum of approx. $1.9 million.

3.3.4 The Partnership holds 20% in the participation units of Ratio Petroleum. Such investment is classified as financial assets at fair value through profit or loss and is presented in the Financial Statements under non-current assets. The fair value of the investment as of June 30, 2022 is approx. $4.2 million compared with approx. $5.5 million as of December 31, 2021.

3.4 **Current liabilities** as of June 30, 2022 total approx. $172.7 million compared with approx. $171.9 million as of December 31, 2021.

The current liabilities mainly include:

3.4.1 Provision for tax and balancing payments as of December 31, 2021 totaled approx. $13.9 million and it included tax and balancing payments which were paid in January 2022.

3.4.2 Current taxes payable as of June 30, 2022 totaled approx. $9.8 million and they include provision for current payments to income tax for the Partnership's profits in the Report Period. For details regarding the change of the tax regime that applies to the Partnership, see Note 14A to the Annual Financial Statements.

3.4.3 Current maturities for repayment of one third of the Series B and C bonds' par value, according to their terms.

3.4.4 Interest payable as of June 30, 2022 totaled approx. $30.8 million compared with approx. $15.7 million as of December 31, 2021. Interest payable includes interest for the Series B, C and D bonds and for the bank loan. The main increase derives from the dates and rate of the interest payments according to the terms of the bonds.

3.5 **Non-current liabilities** as of June 30, 2022 totaled approx. $748.8 million compared to approx. $747.2 million as of December 31, 2021.

Non-current liabilities include the long-term balance of the Series B, C and D bonds and loans from banking corporations, provision due to a retirement and disposal of oil and gas assets liability, as well as deferred tax liability.

Below are the main changes to the non-current liabilities item:

3.5.1 Deferred tax liability as of June 30, 2022 totaled approx. $37.5 million compared with approx. $24.7 million as of December 31, 2021. The Partnership recognizes deferred taxes on the basis of the liabilities method, in respect of temporary differences between the amounts of the assets and liabilities, which are included in the Financial Statements, and the amounts that will be taken into account for tax purposes. The increase in the item derived mainly from an increase in differences between depreciation and amortization according to accounting standards compared with depreciation and amortization for tax purposes for oil and natural gas assets (including for oil and natural gas asset retirement and disposal) and due to the increase in the exchange rate and its impact on the temporary differences between the measurement base reported for tax purposes in shekels and the measurement base reported in the Financial Statements in dollars.

3.5.2 The provision for the oil and natural gas asset retirement and disposal obligation as of June 30, 2022 totaled approx. $14.6 million, compared with approx. $20.8 million as of December 31, 2021. The decrease derived from an update to the retirement and disposal obligation for the Leviathan Project assets due to an increase in the market interest rate that is used to discount the obligation.

3.5.3 Series B bonds as of June 30, 2022 totaled approx. $54.7 million compared with approx. $61.5 million as of December 31, 2021. The main decrease derives from exchange rate differences due to an increase in the dollar-shekel exchange rate between the periods.

For further details regarding the loan agreements between the Partnership and Ratio Financing in connection with the issue proceeds received and the loan agreements between the Partnership and Leviathan Development, see Notes 24C4 and 24C6 to the Annual Financial Statements and Section 4 below.

3.6 The Partners' equity

As of June 30, 2022, totaled approx. $300.2 million compared with approx. $225.9 million as of December 31, 2021. The change derives from other comprehensive income recorded in the Report Period of approx. $74.3 million.

3.7 Cash flow

Net cash flow generated from operating activities, in the Report Period totaled approx. $72.6 million compared with net cash flow generated from operating activities of approx. $90.2 million in the same period last year. In Q2/2022, net cash flow generated from operating activities totaled approx. $33.5 million compared with net cash flow generated from operating activities of approx. $42.2 million in the same period last year. The main decrease between the comparison periods derived from an increase in the trade receivables item.

It is noted that in accordance with the accounting policy of the Partnership, interest paid and interest received, are classified in the cash flow statement as part of the operating activities.

Net cash flow used for investment activities, in the Report Period totaled approx. $20.3 million compared with approx. $41.1 million in the same period last year. Investment activities in the Report Period include mainly investments in the Leviathan Project and in other long-term assets primarily regarding the expansion of the transmission to Egypt infrastructures, in the sum of approx. $20.6 million.

Net cash flow used for investment activities, in Q2/2022 totaled approx. $0.2 million compared with approx. $3.9 million in the same period last year. Investment activities in Q2/2022 include mainly investments in the Leviathan Project and in other long-term assets primarily regarding the expansion of the transmission to Egypt infrastructures, in the sum of approx. $11.7 million, and conversely, a decrease in short-term deposits, in the sum of approx. $11.7 million.

Net cash flow used for financing activities in the Report Period totaled approx. $13.9 million. In the same period last year, no cash flows were generated from financing activities. The financing activities in the Report Period were used for tax and balancing payments for holders of the participation units.

In Q2/2022 and in the same period last year, no net cash flows from financing activities were generated.

4. Liquidity and financing sources

As of the date of approval of the Financial Statements, the Partnership's financing sources are the Partnership's equity, the loans from Ratio Financing given against the debt raisings in Ratio Financing through the public offering of the Series B, C and D bonds, as well as loans from banking corporations for the financing of the Leviathan Project.

4.1 Loans from banking corporations

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**") (see also Note 5 to the Financial Statements regarding an amendment to the Loan agreement). The Partnership is entitled to use the Loan facility for any of the additional purposes defined in the agreement, mainly payment of expenses and debt repayment in connection with the Leviathan Project. As part of the Loan agreement, the Partnership was given the option of reducing the unused Loan facility and/or early repayment (full or partial) of the Loan, throughout the entire Loan period, without penalties.

As part of the Loan agreement, the Partnership is committed to comply with the following financial covenants that were determined in the financing agreement: Liquidity Coverage Ratio ("**LCR**"), that is calculated as the ratio between the discounted cash flow from 2P reserves (as defined in the Loan agreement) and the balance of the Loan that was withdrawn (net of the reserve amount for debt service) at the end of each quarter, shall be no less than 1.2; Debt service coverage ratio ("**DSCR**") that is calculated as the ratio between the actual cash flow before debt service and debt service costs (principal, interest and non-utilization fee) for the 12 months before the test date at the end of each quarter, shall be no less than 1.05; and compliance with the liquidity test.

As of June 30, 2022, the Partnership is in compliance with all of the aforesaid financial covenants: LCR is 2.17 and DSCR is 8.14.

As of the date of approval of the Financial Statements, the aforesaid ratios are not materially different that the ratios as of June 30, 2022.

As part of the Partnership's risk management, in order to reduce the exposure regarding a possible increase in the LIBOR interest rate, the Partnership purchased, in Q1/2022, CAP options to hedge the sum of $150 million, expiring on July 17, 2023 (the "**CAP Options**"). The fair value of the CAP Options, which is affected mainly from the change of the LIBOR interest rate, is presented under the 'other long-term assets, net' item in the statement of financial position, and revaluation thereof is presented in the 'financing expenses, net' item in the statement of other comprehensive income. As of the date of approval of the Financial

Statements, the fair value of the Options has increased and is approx. $2.8 million.

Further to the amendment to the aforesaid financing agreement specified in Section 1.7 above and Note 5 to the Financial Statements, the Partnership intends, subject to the prevailing market conditions, to perform additional hedging transactions (over and above the CAP Options) to protect the interest rate up to a sum total of the Loan amount not to exceed $250 million, until close to the final Loan maturity date. In view of the aforesaid, in August 2022, the Partnership made IRS-type hedging transactions for $100 million, until the final Loan maturity date. The average fixed interest rate of approx. 2.82% in lieu of variable interest (LIBOR until July 2023 and TERM SOFR interest from July 2023 until maturity).

For further details, see Note 5 to the Financial Statements.

In July 2022, it was confirmed by the lenders that the total amount available for withdrawal would amount to $650 million. The Partnership may use the Loan facility for any of the additional purposes defined in the agreement, mainly payment of expenses and repayment of debts in connection with the Leviathan Project. As of June 30, 2022 and as of the date of approval of the Financial Statements, the loan amounts withdrawn from the Loan facility are approx. $500 million. As part of the financing agreement, the Partnership is given the option of reducing the unused Loan facility and/or early repayment (full or partial) of the Loan, throughout the entire Loan period, without penalties.

4.2 Debt raisings in Ratio Financing

For details regarding the issue of Series B, C and D bonds through Ratio Financing and the loans given against them to the Partnership, see Note 11B and Note 24C4 to the Annual Financial Statements.

As part of a process to reduce its debts and in accordance with the resolutions of the board of directors of the General Partner, the Partnership intends to continue to purchase Series B and C bonds of Ratio Financing, to the extent that this would constitute an adequate business opportunity at such time, up to a total amount of ILS 300 million par value. Accordingly, the 'short-term deposits' item in the amount of approx. $63.7 million includes a deposit for the purchase of the aforesaid bonds of approx. $58.7 million. In accordance with the resolutions of the board of directors of the General Partner, the bonds that were and that will be purchased by the Partnership (if any), will not be offered for sale on or outside of a stock exchange.
As of the date of approval of the Financial Statements, the Partnership holds approx. 15.65% of the total Series B bonds of Ratio Financing.

On August 31, 2021, in accordance with the terms of the Series B and Series C bonds, one third of the nominal value of the Series B and Series C bonds will be repaid in the sum of approx. $52.3 million (which is the net amount after offsetting the Partnership's share, see Note 11B4A to the Annual Financial Statements) and a sum of approx. $59.3 million, respectively. Accordingly and on the same date, the Partnership will pay Ratio Financing the Partnership's liabilities for payment of the principal and interest in respect of the Series B bonds (net of the Partnership's share, see Note 11B4A to the Annual Financial Statements) and the Series C bonds.

For further details regarding the Partnership's financing sources, see Notes 11 and 15 and Notes 24C4 and 24C6 to the Annual Financial Statements.

5. Distribution of profits, tax payments and balancing payments

a. On January 9, 2022, the Partnership made a payment of approx. ILS 43.3 million (ILS 0.0385213 per participation unit). Such payment includes tax payments for individual entitled holders and balancing payments for non-individual holders.

b. On August 30, 2022, the board of directors of the General Partner approved the distribution of (interim) profits of $25 million with the record date for distribution being September 8, 2022. The aforesaid distribution of profits shall be made on September 21, 2022.

6. Disclosure of the effects of inflation and the increase in the interest rate on the Partnership's business

Following macroeconomic developments around the world in the past year, there has been an increase in inflation rates in the world and, as a result, also in Israel. As part of the steps taken to curb the rise in prices, the central banks in the U.S., and other countries, including Israel, began to raise the interest rate and also announced their plans for further interest rate increases in the future in order to moderate the aforementioned price index increases.

In the Report Period and during Q2 in particular, there was an increase in the average price of natural gas that was sold, which was mainly due to an increase in the Brent barrel prices to which the gas export to Egypt and Jordan agreements are linked, and an increase in the electricity generation tariff, which affects some of the agreements with the private electricity producers. This increase is reflected in the 'revenues from natural gas sale' item.

The increase in prices also affects the costs of gas production and the costs of capital investments in the Leviathan Project, but in a manner that is immaterial to the results of the Partnership at this stage. However, the continued increase in price indices may increase the future capital costs for additional investments to be made in the Leviathan Project and in future projects in which the Partnership will be a partner.

The increase in the price indices had no effect on the financing expenses of the Partnership since all of the bond series of Ratio Financing and the loans from banking corporations are not linked to the price index.

Since the bonds of Ratio Financing carry a fixed interest rate, the financing expenses therefor are not affected by the changes in the interest rates. However, the increase in the interest rate has an effect on the Partnership's financial position, mainly in the assets and liabilities in the statement of financial position that contain capitalization components, as well as on the Partnership's financing expenses for the loans from banking corporations that bear LIBOR interest rate (which will be replaced by the SOFR TERM interest rate from July 2023 at the latest) which is paid once a quarter. Furthermore, and insofar as the Partnership needs to raise additional debt in the future, this may affect the financing expenses of the Partnership.

It is also noted that 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 loans taken thereby in Q1/2022, the Partnership purchased CAP Options and in August 2022, the Partnership performed IRS-type hedging transactions. See also Section 4.1 above and Note 5B to the Financial Statements.

Caution concerning forward-looking information – The provisions of this section above regarding the impact of the inflation and the increase in the interest rate on the Partnership's business constitutes forward-looking information within the meaning thereof in Section 32A of the Securities Law, 5728-1968. This information is based, *inter alia*, on assessments and estimates of the Partnership and the information held thereby as of the date of approval of this report. Therefore, there is no certainty that the aforesaid will indeed materialize, or materialize in a manner that is similar to the aforesaid, and the results may be materially different than the results assessed or implied from such information, as a result, *inter alia*, of additional and other financial developments which may affect the Partnership's business and from various factors that are beyond the Partnership's control.

Part B – Report on exposure to and management of market risks

During the reported period there has been no material change in the areas of the Partnership's exposure or in the market risks, as reported in the board of directors' report for 2021 which was included in the Periodic Report.

Sensitivity tests

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

Description of parameters, assumptions and models

a. The fair value of marketable securities is based on quoted prices in an active market as of the balance sheet date.

b. The fair value of the bonds is based on quoted prices in an active market as of the balance sheet date. The sensitivity analysis is based on the yield of marketable bonds as of the balance sheet date, in a similar rating (with no rating) and in the Partnership's operations sector.

c. The fair value of the loans from banking corporations is based on capitalization of all of the future cash flows of the loan in the rate of yield of the marketable bonds as of the balance sheet date, in a similar rating (with no rating) and in the Partnership's operations sector.

d. Shekel-dollar exchange rate is the representative rate as of June 30, 2022.

Sensitivity analysis to market risks

Below is a breakdown of the Partnership's financial instruments as of June 30, 2022, which are sensitive to the market risks entailed therein. The liabilities and assets that are sensitive to various market risks were presented several times in accordance with the analysis of sensitivity to each one of the risks:

Report on linkage bases of the financial balances

	June 30, 2022			
	In dollars	In ILS, unlinked	In ILS, index-linked	Total
	$ in thousands			
Current assets:				
Cash and cash equivalents	114,540	46,853	-	161,393
Financial assets at fair value through profit or loss	9,095	3,184	1,706	13,985
Short-term deposits	15,544	48,163	-	63,707
Trade receivables	75,184	-	-	75,184
Operator of the joint venture	5,250	-	-	5,250
Ratio Trusts Ltd. – the Trustee – Current account	-	277	-	277
Other receivables	1,552	962	-	2,514
Total current assets	221,165	99,439	1,706	322,310
Non-current assets:				
Financial assets at fair value through profit or loss	-	4,227	-	4,227
Other long-term assets, net	2,787	-	-	2,787
Restricted deposits	3,940	9,690	-	13,630
Total non-current assets	6,727	13,917	-	20,644
Current liabilities:				
Trade payables	3	234	-	237
Amounts payable of joint transactions	13,597	-	-	13,597
Ratio Energies Management Ltd. (formerly – Ratio Oil Explorations Ltd.) – General Partner – Current account	487	-	-	487
Others	92	-	-	92
Current maturities of bonds	60,957	51,214	-	112,171
Interest payable	15,576	15,240	-	30,816
Expenses payable	5,011	466	-	5,477
Current taxes payable	-	9,804	-	9,804
Total current liabilities	95,723	76,958		172,681
Non-current liabilities:				
Bonds	153,138	54,662	-	207,800
Loans from banking corporations, net	488,869	-	-	488,869
Total non-current liabilities	642,007	54,662	-	696,669

1. Sensitivity to changes in the Dollar/ILS exchange rate ($ in thousands):

Assets and liabilities	Profit (loss) from the change		Fair value	Profit (loss) from the change	
	10% increase in the exchange rate	5% increase in the exchange rate		5% decrease in the exchange rate	10% decrease in the exchange rate
Cash and cash equivalents	(4,259)	(2,231)	46,853	2,466	5,206
Financial assets at fair value through profit or loss	(445)	(233)	4,890	257	543
Short-term deposits	(4,378)	(2,293)	48,163	2,535	5,351
Ratio Trusts	(25)	(13)	277	15	31
Trade and other receivables	(87)	(46)	961	51	107
Financial assets at fair value through profit or loss – investment in Ratio Petroleum	(384)	(201)	4,227	222	470
Restricted deposits	(881)	(461)	9,690	510	1,077
Trade payables	21	11	(234)	(12)	(26)
Series B bonds	11,240	5,888	(123,641)	(6,507)	(13,738)
Interest payable	1,385	726	(15,240)	(802)	(1,693)
Expenses payable	42	22	(466)	(25)	(52)
Current taxes payable	891	467	(9,804)	(516)	(1,089)
Total	**3,120**	**1,636**	**(34,324)**	**(1,806)**	**(3,813)**

2. Sensitivity to changes in the shekel interest ($ in thousands)

Sensitive instrument	Profit (loss) from the change			Fair value	Profit (loss) from the change		
	Extreme test*	10% increase in yield	5% increase in yield		5% decrease in yield	10% decrease in yield	Extreme test*
Series B Bonds	1,855	927	464	(123,641)	(464)	(927)	(1,855)

3. Sensitivity to changes in the dollar interest ($ in thousands)

Sensitive instrument	Profit (loss) from the change			Fair value	Profit (loss) from the change		
	Extreme test*	10% increase in yield	5% increase in yield		5% decrease in yield	10% decrease in yield	Extreme test*
Series C Bonds	1,990	995	498	(132,668)	(498)	(995)	(1,990)
Series D Bonds	7,456	3,728	1,864	(89,829)	(1,864)	(3,728)	(7,456)
Loans from banking corporations	25,502	12,603	6,358	(506,032)	(6,473)	(13,063)	(25,691)

* According to a clarification released by the Israel Securities Authority on February 28, 2010, two additional extreme tests are required in the sensitivity to interest tests. The absolute change that was tested in the extreme tests is 20%.

Part C – Disclosure on Various Aspects of Corporate Governance

<u>Disclosure on projected cash flow for financing the repayment of the corporation's liabilities</u>

According to Section 10(b)(14) of the Reports Regulations, a corporation that holds, on the date of release of the Financial Statements, bond certificates in the turnover, will examine whether there are warning signs therein, and if there are warning signs in the corporation, the corporation will attach a disclosure regarding projected cash flow.

In view of the fact that the warning signs listed in the aforementioned section do not exist, a projected cash flow is not included in this report.

Part D – Disclosure on the Partnership's Financial Reporting

1. **<u>Key events in the Report Period</u>**

   For a comprehensive description of the key events in the Report Period see Part A hereof and the Notes to the Financial Statements.

2. **<u>The Partnership's activity, additional information and subsequent events</u>**

   2.1 For subsequent events, see Part A hereof and Note 11 to the Financial Statements.

   2.2 <u>Separate financial statements</u>

   In accordance with the provisions of Regulation 9C and the Tenth Schedule to the Reports Regulations, the Partnership has not included separate financial information in the Financial Statements, following an examination by the Partnership's management together with its legal advisors, 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 accounting rules and the securities laws, there is no need for the attachment thereof. The Partnership will continue to examine the future effect of the inclusion of separate financial information in each reporting period.

3. **<u>Critical accounting estimates</u>**

   No material change occurred in the Report Period other than as provided in Note 3A to the Financial Statements with respect to current tax expenses.

Date: August 30, 2022

Ligad Rotlevy **Chairman of the Board**	**Yigal Landau** **CEO and Member of the Board**