

# Ratio Energies

Financial Report

As of 31/3/23



# Ratio Energies

## **Chapter A:**

Board of Directors report

## **Chapter B:**

Financial Report

# Chapter A

**Board of Directors report**



*This report is a convenience translation of Ratio Energies – Limited Partnership's Hebrew-language Report of the Board of Directors of the General Partner. The original Hebrew-language report is the only binding version and shall prevail in any event of discrepancy.*

May 24, 2023

**Report of the Board of Directors of the General Partner**  
**on the State of the Partnership's Business for the Three-Month period**  
**ended March 31, 2023**

The board of directors of the general partner, Ratio Energies Management Ltd. 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. and Leviathan Development (2016) Ltd. ("**Ratio Financing**" and "**Leviathan Development**" respectively, and collectively with the Partnership – the "**Group**"), as of March 31, 2023 and for the three-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 March 31, 2023 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.

**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**"). 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 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. The Partnership holds 15% of the Leviathan Project.

During the Report Period, a total quantity of approx. 2.83 BCM (100%) of natural gas was sold from the Leviathan Reservoir. In addition, from the beginning of 2023 until



shortly before the date of approval of the Financial Statements, approx. 4.3 BCM of natural gas was sold from the Leviathan Reservoir (100%). The Partnership's revenues in the Report Period totaled approx. 93 million dollars; the EBITDA in the Report Period totaled approx. \$64.2 million. For details regarding the results of operations, see Section 2 below.

On March 28, 2023, the board of directors of the General Partner approved a profit distribution in the total sum of U.S. \$35 million. Such profit distribution was carried out on April 24, 2023.

Shortly before the release of this report, an update to the Partnership's ESG report for 2022 will be published on the Partnership's website. The update to the ESG report presents the main changes and processes that took place in 2022 in matters of the environment and sustainability, corporate governance, community involvement and support, health and safety, transparency, the working environment in the Partnership, etc. The drafting of the ESG report is done according to the world's leading international reporting standard of Global Reporting Initiative (GRI).

**1. Key events in the Report Period and after the date of the report**

For a comprehensive description of the key changes that occurred in the Partnership's activity in the Report Period and after the date of the report, see "Update of Chapter A (Description of the Corporation's Business) to the 2022 Periodic Report" and the notes to the Financial Statements attached below.

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

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

	For the three-months ended March 31		For the year ended December 31
	2023	2022	2022
	\$ in millions		
<b>Revenues</b>			
From natural gas sales	93.0	82.0	380.0
Net of royalties	(14.9)	(13.7)	(58.0)
<b>Net revenues</b>	<b>78.1</b>	<b>68.3</b>	<b>322.0</b>
<b>Expenses and costs</b>			
Cost of natural gas and condensate production	(11.6)	(10.7)	(42.6)
Depreciation and amortization expenses	(6.7)	(7.0)	(29.7)
Oil and natural gas exploration costs	*	-	(0.1)
G&A expenses	(2.3)	(2.0)	(9.5)
<b>Operating income</b>	<b>57.5</b>	<b>48.7</b>	<b>240.1</b>
Financing expenses, net	(13.5)	(8.9)	(43.4)



	For the three-months ended		For the year ended
	March 31		December 31
	2023	2022	2022
	\$ in millions		
<b>Profit before taxes on income</b>	<b>44.0</b>	<b>39.8</b>	<b>196.7</b>
Taxes on income	(11.0)	(11.3)	(47.2)
<b>Net profit and other comprehensive income for the period</b>	<b>33.0</b>	<b>28.5</b>	<b>149.5</b>
Sales of natural gas in BCM <sup>1</sup>	<b>2.83</b>	<b>2.72</b>	<b>11.38</b>
Condensate production in Israel (barrels in thousands) <sup>2</sup>	<b>222.52</b>	<b>215.3</b>	<b>901.53</b>

\*Reflects an amount lower than \$100 thousand.

**Net revenues** – Revenues from the sale of natural gas in the Report Period totaled approx. \$93.0 million compared with approx. \$82.0 million in the same period last year, an increase rate of approx. 13%. The increase derives mainly from the increase in the quantities of natural gas sold from the Leviathan Reservoir, from a quantity of approx. 2.72 (100%) in the same period last year, to a quantity of approx. 2.83 BCM (100%) in the Report Period, as well as from an increase in the average price of natural gas in the Report Period relative to the same period last year, and from the increase in the quantities of natural gas that were sold to the export markets (the average price of natural gas sold in the export markets is higher than the price in the domestic market). Respectively with the increase in the scope of sales, there was also an increase in royalties expenses. Total royalties include royalties to the State and overriding royalties in accordance with the Partnership agreement. From the date of commencement of the supply of gas from the Leviathan Reservoir, the Leviathan Partners make advance payments to the State on account of the State royalties in respect of revenues from the Leviathan Project at the rate of 11.26%, and the Partnership additionally pays, in accordance with the Partnership agreement, overriding royalties at the rate of approx. 5.40%<sup>3</sup>. For further details on royalties, see Note 18

<sup>1</sup> The data refers to sales of natural gas from the Leviathan Project (100%), rounded off to two digits after the decimal point.

<sup>2</sup> The data refers to the production of condensate from the Leviathan Project (100%) rounded off to thousands of barrels, see also Note 25C8 to the Annual Financial Statements regarding an agreement in connection with the sales of condensate from the Leviathan Reservoir.

<sup>3</sup> 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



to the 2022 Annual Financial Statements (the "**Annual Financial Statements**") and Note 8A to the Financial Statements. The increase derives from the increase in revenues from the sale of natural gas between the periods.

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

	For the three-month period ended March 31		For the year ended December 31
	2023	2022	2022
	BCM		
Israel	0.66	0.89	3.77
Jordan	0.66	0.67	2.71
Egypt	1.51	1.16	4.90
<b>Total</b>	<b>2.83</b>	<b>2.72</b>	<b>11.38</b>

2.1.1 **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. \$11.6 million, compared with approx. \$10.7 million in the same period last year, an increase at the rate of approx. 9%. The increase in the Report Period compared with the same period last year mainly derives from the increase in natural gas sales to Egypt and consequently an increase in transportation and shipping expenses and the costs of transmission of the gas to Egypt.

2.1.2 **Depreciation and amortization expenses** in the Report Period totaled approx. \$6.7 million, compared with approx. \$7.0 million in the same period last year. The expenses reflect the depreciation depletion expenses for the investments in the development of the Leviathan gas reservoir and depreciation expenses for other long-term assets. The decrease in depreciation and amortization expenses between the periods mainly derives from updating resources evaluations in the

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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 to the Annual Financial Statements and Note 8A to the Financial Statements.



Leviathan Reservoir in accordance with the evaluation report on reserves and contingent resources in the Leviathan Leases, updated as of December 31, 2022 (which constitutes as a basis for calculation of the depreciation rate), which was offset from the increase in the quantities of natural gas sold from the Leviathan Reservoir between the periods. For further details, see also Note 4D to the Financial Statements.

2.1.3 **Oil and natural gas exploration expenses** in the Report Period totaled approx. \$25 thousand. In the same period last year, no oil and natural gas exploration expenses were incurred.

2.1.4 **G&A expenses** in the Report Period totaled approx. \$2.3 million, compared with approx. \$2.0 million in the same period last year. These mostly consist of expenses in respect of professional services, payroll expenses and management fees for the General Partner.

2.1.5 **Net financial expenses** in the Report Period totaled approx. \$13.5 million compared with net financial expenses of approx. \$8.9 million in the same period last year.

In the Report Period, the 'financial expenses' item included financial costs in connection with bonds and loans from banking corporations provided for financing of the Leviathan Leases in the amount of approx. \$14.7 million, compared with approx. \$9.1 million in the same period last year.

Total financial costs as aforesaid include exchange rate differentials due to changes in the dollar exchange rate.

In the Report Period, no exchange rate differentials due to changes in the dollar exchange rate were incurred. In the same period last year, total revenues of exchange rate differentials due to changes in the dollar exchange rate totaled approx. \$2.7 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 'net financial expenses' item.

2.1.6 **Taxes on income** in the Report Period totaled approx. \$11.0 million, compared with approx. \$11.3 million in the same period last year.





- 2.2 **Current assets** as of March 31, 2023 totaled approx. \$282.8 million, compared with a total of approx. \$232.9 million as of December 31, 2022.

The Group's current assets as of March 31, 2023 primarily consist of cash and cash equivalents, financial assets at fair value through profit or loss and short-term deposits (which were designated to serve for the purchase of Series C and Series D Bonds, issued by Ratio Financing, for the Partnership), in the sum of approx. \$183.8 million compared with approx. \$146.6 million as of December 31, 2022. The change in balances mainly stems from proceeds from natural gas sales during the Report Period net of payment of royalties and payments for the development and operation of the Leviathan Project, purchases of Series C Bonds as aforesaid, tax payments and payment of current expenses.

Furthermore, the Partnership's current assets include:

- 2.2.1 Current tax receivables in the sum of approx. \$7.1 million as of March 31, 2023, compared with provision for current taxes in the sum of Approx. \$3.7 million as of December 31, 2022, the change derives mainly from an expected reimbursement for corporate tax advances paid for 2021 (which was received after the balance sheet date), following the filing of the tax report for such year, by the Partnership. See also Note 8F to the Financial Statements.
- 2.2.2 Trade receivables in the sum of approx. \$71.5 million as of March 31, 2023 compared with approx. \$65.3 million as of December 31, 2022 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.

For details regarding the component of liquid assets of the Partnership (including the marketable securities component) see Notes 4, 5, 6 and 7 to the Annual Financial Statements.

- 2.3 **Non-current assets** as of March 31, 2023 totaled approx. \$888.4 million, compared with approx. \$885.6 million as of December 31, 2022.

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

- 2.3.1 Net investments in oil and natural gas assets, excluding the retirement and disposal asset, total approx. \$798.0 million as of March 31, 2023, compared with approx. \$794.0 million as of December 31, 2022. The change in the Report Period derives



mainly from investments in the Leviathan Project of approx. \$9.6 million (most of which in the Leviathan-8 well). Conversely, the Partnership recorded depreciation and amortization expenses of approx. \$5.6 million.

- 2.3.2 A retirement and disposal asset, net, presented under the 'net investments in oil and natural gas assets' item totaled approx. \$10.4 million as of March 31, 2023, compared with approx. \$9.8 million as of December 31, 2022. The increase mainly results from an update of the estimate of costs of the retirement and disposal asset.
  - 2.3.3 Other long-term assets, net, totaled approx. \$68.0 million as of March 31, 2023, compared with approx. \$68.2 million as of December 31, 2022. The change in the Report Period derives mainly from: 1) the increase in the royalty receivable asset in the Report Period in the sum of approx. \$0.6 million. 2) Depreciation expenses for other long-term assets in the sum of approx. \$1.0 million in the Report Period.
  - 2.3.4 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 March 31, 2023 is approx. \$4.0 million compared with approx. \$4.2 million as of December 31, 2022.
  - 2.3.5 Derivative financial instruments totaled approx. \$1.4 million as of March 31, 2023 compared with \$2.8 million in the same period last year. The decrease mainly derives from revaluation of the fair value of the financial instrument.
- 2.4 **Current liabilities** as of March 31, 2023 total approx. \$147.0 million compared with approx. \$108.7 million as of December 31, 2022.

Below are the main changes in the 'current liabilities' item in the Report Period:

- 2.4.1 Interest payable totaled approx. \$14.7 million as of March 31, 2023, compared with approx. \$11.3 million as of December 31, 2022. Interest payable includes interest in respect of Series C and D Bonds and in respect of the bank loan. Most of the increase derives from the dates and rate of the interest payments according to the terms of the bonds.
- 2.4.2 Divided payable totaled approx. \$35.0 million as of March 31, 2023. See also Section 4 below.



2.4.3 Current maturities of long-term loans from banking corporations totaled approx. \$3.8 million as of March 31, 2023, in accordance with the conditions of the loans as stated in Note 11A2C3 to the Annual Financial Statements and Note 5A to the Financial Statements.

2.5 **Non-current liabilities** as of March 31, 2023 totaled approx. \$664.3 million, compared with approx. \$659.4 million as of December 31, 2022.

Non-current liabilities include the long-term balance of Series D Bonds and loans from banking corporations, a provision for an oil and gas asset retirement and disposal obligation, and a deferred tax liability.

Below are the main changes in the 'non-current liabilities' item as of the Report Period:

2.5.1 Deferred tax liability as of March 31, 2023 totaled approx. \$63.1 million compared with approx. \$56.2 million as of December 31, 2022. The Partnership recognizes deferred taxes, based on the liability 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 derives mainly from an increase in differences between the cost and depreciation and amortization in the books and the cost and depreciation and amortization for tax purposes for the 'oil and natural gas assets' item (including for oil and natural gas asset retirement and disposal).

2.5.2 Loans from banking corporations totaled approx. \$507.7 million as of March 31, 2023 compared with approx. \$510.6 million as of December 31, 2022. The main decrease derives from classification of approx. \$3.8 million to current maturities, see Section 2.4.3.

2.5.3 A provision for an oil and natural gas asset retirement and disposal obligation as of March 31, 2023 totaled approx. \$13.3 million, compared with approx. \$12.5 million as of December 31, 2022. The increase derives from an update to the retirement and disposal obligation for the Leviathan Project assets due to an update to the estimate of retirement costs 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 24C5 and 24C7 to the Annual Financial Statements and Section 3 below.

## 2.6 The Partners' equity

As of March 31, 2023, totaled approx. \$359.9 million compared with approx. \$350.4 million as of December 31, 2022. The change derives from comprehensive income of approx. \$33.0 million recorded in the Report Period from an update to the tax liability of the participation unit holders in the sum of approx. \$11.5 million for year 2021, which were offset by profits declared in the sum of approx. \$35.0 million.

## 2.7 Cash flow

**Net cash flow generated from operating activities** totaled approx. \$57.0 million in the Report Period, compared with net cash flow generated from operating activities of approx. \$39.0 million in the same period last year. Most of the rise derives from an increase in the profit for the period.

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** totaled approx. \$23.1 million in the Report Period, compared with approx. \$20.5 million in the same period last year. Investment activities in the Report Period mainly consist of investments in the Leviathan Project and in other long-term assets, in the sum of approx. \$7.3 million and in short-term deposits which were mainly designated for the purchase of Series C and Series D Bonds, in the sum of approx. \$15.7 million.

**Net cash flow used for financing activities** totaled approx. \$1.4 million in the Report Period, which served for the purchase of Series C Bonds of Ratio Financing, compared with approx. \$13.9 million in the same period last year, which served for payments of tax advances and balancing payments.

## 3. 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 C and D bonds, as well as loans from banking corporations for the financing of the Leviathan Project.



### 3.1 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**"). As of the date of approval of the Financial Statements, the total facility available for drawdown is \$650 million. As of March 31, 2023 and as of the date of approval of the Financial Statements, loan amounts drawn from the Loan facility total approx. \$520 million.

The Partnership may 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:

1. Liquidity Coverage Ratio ("**LCR**"), that is calculated as the ratio between the discounted cash flow from 2P reserves<sup>4</sup> (as defined in the Loan agreement) and the balance of the Loan that was withdrawn (net of the reserve fund amount for debt service) at each test date, shall be no less than 1.2;  
Repayment of amounts on account of the principal at variable rates shall be carried out in accordance with specific liquidity coverage ratios (LCR between 1.3-1.4 – 30%, between 1.25-1.3 – 60%, below 1.25 – 100%) out of an adjusted cash balance as of the end of each quarter according to the mechanism specified in the agreement (LCR Cash Sweep).
2. Debt service ratio ("**DSCR**") that is calculated as the ratio between the actual cash flow before debt service and debt service amounts (principal, interest and non-utilization fee) for the 12 months before the test date. Such ratio shall be no less than 1.05;

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<sup>4</sup> Cash flow from 2P reserves until December 31, 2034, is calculated according to a banking scenario based on stricter and more conservative assumptions than those used in the discounted cash flow published by the Partnership as part of resource reports under the provisions of the Securities Law, including with respect to the amount and timing of the capital investments, to the sale prices of natural gas (according to price deck in the banking scenario). Such cash flow is before debt service costs and is capitalized at a rate of 7% ("**Cash Flow from 2P Reserves**").



Starting in 2024, amounts will be repaid on account of the principal at variable rates according to specific debt service ratios (DSCR above 1.3 – 25%, below 1.3 – 40%) out of an adjusted cash balance as of the end of each quarter in accordance with the mechanism specified in the agreement (DSCR Cash Sweep).

3. Compliance with the liquidity test.

As of March 31, 2023, the Partnership is compliant with all the aforesaid financial covenants: LCR is 2.03 (based on Cash Flow from 2P Reserves data as of December 31, 2021) and DSCR is 6.2.

As of the date of approval of the Financial Statements, LCR is expected to increase due to the increase in reserves as of December 31, 2022 in accordance with the reserves report of March 2023, whereas DSCR is not materially different from its results as of March 31, 2023.

As part of the Partnership's risk management, in order to reduce exposure in connection with a possible increase in the LIBOR interest rate, in respect of the Loan it has taken, the Partnership has made several hedging transactions:

- a. In Q1/2022, the Partnership purchased CAP options to hedge an amount of \$150 million with an expiration date in July 2023.
- b. In Q3/2022, the Partnership made an IRS hedging transaction of \$100 million until July 15, 2027.
- c. In May 2023, the Partnership made an IRS hedging transaction of \$100 million from January 16, 2024 until July 15, 2027.

It is noted that the IRS hedging transactions (see Sections (b) and (c) above) were made through Leviathan Development (which provides the loan to the Partnership, on back-to-back terms).

For further details, see Note 11A to the Annual Financial Statements and Note 5A to the Financial Statements.

Debt raising rounds by Ratio Financing

For details regarding the issue of Series C and D Bonds through Ratio Financing and the loans given against them to the Partnership, see Note 11B and Note 24C5 to the Annual Financial Statements.

In Q1/2023, the Partnership made purchases of par value 4,659,575 Series C Bonds of Ratio Financing (which constitute approx. 2.2% of the total par value Series C Bonds of Ratio Financing) for the consideration of approx. ILS 4.8 million (approx. \$1.4 million).



As of the date of the report and approval of the Financial Statements, the Partnership holds approx. 2.2% of the total par value Series C Bonds of Ratio Financing.

As part of a debt reduction process and in accordance with the resolution of the board of directors of the General Partner of March 28, 2023, the Partnership intends to purchase Series C Bonds and Series D Bonds of Ratio Financing, insofar as constituting an appropriate business opportunity at that time, up to a total amount of ILS 300 million par value (over and above the quantity of Series C Bonds currently held as of the date of the resolution of the board). Accordingly, the 'short-term deposits' item in the condensed consolidated statement of financial position is intended for the purchase of the Series C Bonds and Series D Bonds as aforesaid. In accordance with the resolution of the board of directors of the General Partner, the Series C Bonds that were and will be acquired (if any) and the Series D Bonds to be acquired by the Partnership (if any) will not be offered for sale either on or off TASE.

For further details regarding the Partnership's financing sources, see Notes 24C5 and 24C7 to the Annual Financial Statements and Notes 5A and 5B to the Financial Statements.

#### **4. Distribution of profits**

On March 28, 2023, the board of directors of the General Partner approved a profit distribution of \$35 million with the record date for distribution being April 10, 2023. The aforesaid distribution of profits was carried out on April 24, 2023.

#### **5. Effects of inflation and the increase in the interest rate on the Partnership's business**

Following macroeconomic developments around the world, including the Covid crisis and the military conflict between Russia and Ukraine, there has been an increase in inflation rates in the world. 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 possible further interest rate increases in the future in order to moderate the aforementioned price index increases.

The increase in prices 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.

As part of the Partnership's risk management, and in order to reduce exposure in connection with a possible increase in the LIBOR interest rate on the loans taken thereby, the Partnership made several hedging transactions. See Note 11A2E to the Annual Financial Statements and Note 5A to the Financial Statements.

In Q1/2023, the Partnership recorded net interest expenses in the condensed consolidated statement on comprehensive income, of approx. \$9.9 million, which reflect an average annual LIBOR interest rate of approx. 4.18%.

Furthermore, the table below summarizes the possible impact of the increase in the LIBOR rate on the Partnership's interest expenses for the loans from banking corporations starting from Q2/2023 until the final repayment date. The analysis is based on the assumption that in calculating the base interest rate on the loans from banking corporations, a fixed LIBOR rate of approx. 4.83% was taken into account (the LIBOR interest rate for 3 months determined on January 12, 2023) throughout the remaining period of the loan.

	<b>For the nine-months ended December 31</b>	<b>For the year ended December 31</b>			
	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
	<b>\$ in millions</b>				
<b>Base index</b>	30.5	41.5	37.7	29.8	16.3
<b>Increase of 0.5 point in the base index</b>	31.8	42.3	38.0	30.0	16.4
<b>Increase of 1 point in the base index</b>	33.1	43.9	39.2	30.7	16.6



**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 2022 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. The fair value of the derivative financial instruments is based on foreign exchange swap contracts using exchange rate data as well as interest rate swap contracts valued using future interest rates that are based on an observable yield curve.
- e. Shekel-dollar exchange rate is the representative rate as of March 31, 2023.

## Analysis of sensitivity to market risks

Below is a breakdown of the Partnership's financial instruments as of March 31, 2023, which are sensitive to the market risks entailed therein. The liabilities and assets that are sensitive to various market risks were presented in accordance with the analysis of sensitivity to each one of the risks:

### 1. Report on linkage bases of the financial balances

	March 31, 2023			Total
	In \$	In Non-Indexed ILS	In Indexed ILS	
	\$ in thousands			
<b>Current assets:</b>				
Cash and cash equivalents	86,885	37,039	-	123,924
Financial assets at fair value through profit or loss	9,293	2,973	1,562	13,828
Short-term deposits	46,036	-	-	46,036
Restricted deposit	-	3,593	-	3,593
Derivative financial instruments	4,535	-	-	4,535
Trade receivables	71,537	-	-	71,537
Joint venture operator	8,352	-	-	8,352
Ratio Trusts Ltd. – the Trustee – Current account	-	261	-	261
Other receivables	38	712	1,443	2,193
Current tax receivables	-	7,145	-	7,145
<b>Total current assets</b>	<b>226,676</b>	<b>51,723</b>	<b>3,005</b>	<b>281,404</b>
<b>Non-current assets:</b>				
Financial assets at fair value through profit or loss	-	3,955	-	3,955
Derivative financial instruments	1,432	-	-	1,432
Other long-term assets, net	6,000	-	-	6,000
Restricted deposits	3,940	2,508	-	6,448
<b>Total non-current assets</b>	<b>11,372</b>	<b>6,463</b>	<b>-</b>	<b>17,835</b>
<b>Current liabilities:</b>				
Trade payables	55	136	-	191
Joint venture payables	15,179	-	-	15,179
Ratio Energies Management Ltd. – General Partner – Current account	1,024	-	-	1,024
Others	954	-	-	954
Current maturities of bonds	70,688	-	-	70,688
Current maturities of long-term loans from banking corporations	3,789	-	-	3,789
Interest payable	14,676	-	-	14,676
Expenses payable	4,728	788	-	5,516
Divided payable	35,001	-	-	35,001
<b>Total current liabilities</b>	<b>146,094</b>	<b>924</b>	<b>-</b>	<b>147,018</b>
<b>Non-current liabilities:</b>				
Bonds	80,139	-	-	80,139
Net loans from banking corporations	507,716	-	-	507,716
<b>Total non-current liabilities</b>	<b>587,855</b>	<b>-</b>	<b>-</b>	<b>587,855</b>



## 2. Sensitivity to changes in the Dollar/ILS exchange rate

Assets and Liabilities	Profit (Loss) from the Change			Profit (Loss) from the Change		
	10% Increase in Exchange Rate	15% Increase in Exchange Rate	Fair Value \$ in thousands	5% Decrease in Exchange Rate	10% Decrease in Exchange Rate	
Cash and cash equivalents	(3,367)	(1,764)	37,039	1,949	4,115	
Financial assets at fair value through profit or loss	(412)	(216)	4,535	239	504	
Restricted deposits	(327)	(171)	3,593	189	399	
Ratio Trusts	(24)	(12)	261	14	29	
Current tax receivables	(650)	(340)	7,145	376	794	
Trade and other receivables	(196)	(103)	2,155	113	239	
Financial assets at fair value through profit or loss – investment in Ratio Petroleum	(360)	(188)	3,955	208	439	
Restricted deposits	(228)	(119)	2,508	132	279	
Trade payables	12	6	(136)	(7)	(15)	
Expenses payable	72	38	(788)	(41)	(88)	
<b>Total</b>	<b>(5,480)</b>	<b>(2,869)</b>	<b>60,267</b>	<b>3,172</b>	<b>6,695</b>	

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

Sensitive Instrument	Profit (Loss) from the Change				Profit (Loss) from the Change			
	20% Increase in Yield	10% Increase in Yield	5% Increase in Yield	Fair Value	5% Decrease in Yield	10% Decrease in Yield	20% Decrease in Yield	
Series C Bonds*	529	265	132	(62,977)	(132)	(265)	(529)	
Series D Bonds	5,718	2,859	1,429	(86,631)	(1,429)	(2,859)	(5,718)	
Loans from Banking Corporations	21,296	10,452	5,264	(542,243)	(5,341)	(10,762)	(21,028)	



Sensitive Instrument	Profit (Loss) from the Change			Fair Value	Profit (Loss) from the Change		
	5% Increase in Interest Rate	2% Increase in Interest Rate	0.5% Increase in Interest Rate		0.5% Decrease in Interest Rate	2% Decrease in Interest Rate	5% Decrease in Interest Rate
Derivative financial instruments – CAP options	1,869	922	185	2,692	(183)	(933)	(1,416)
Derivative financial instruments – IRS transaction	16,758	7,208	1,870	3,275	(1,920)	(7,982)	(21,635)

\* The data presented is net of the bonds acquired by the Partnership. See Note 5B to the Financial Statements.

## Part C – Disclosure on Various Aspects of Corporate Governance

### Disclosure on projected cash flow for financing the repayment of the corporation's liabilities

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. Key events in the Report Period

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

### 2. The Partnership's activity, additional information and subsequent events

2.1 For subsequent events, see Part A hereof and Note 10 to the Financial Statements.

#### 2.2 Separate financial statements

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. **Critical accounting estimates**

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

Date: May 24, 2023

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**Ligad Rotlevy**  
**Chairman of the Board**

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**Yigal Landau**  
**CEO and Board Member**

# Chapter B

**Financial Report**

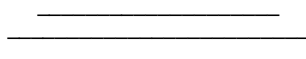
**Ratio Energies – Limited Partnership**  
**Interim Financial Information**  
**(Unaudited)**  
**March 31, 2023**

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

**Ratio Energies – Limited Partnership**  
**Interim Financial Information**  
**(Unaudited)**  
**March 31, 2023**

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

### **Introduction**

We have reviewed the accompanying financial information of Ratio Energies – Limited Partnership (the “**Partnership**”) and consolidated companies (the “**Group**”), which includes the Condensed Consolidated Statement of Financial Position as of March 31, 2023 and the Condensed Consolidated Statements of Comprehensive Income, the Changes in the Partners’ Equity and the Cash Flows for the three-month period then ended. The board of directors and management of Ratio Energies Management Ltd., the Partnership’s general partner (the “**GP**”) are responsible for the preparation and presentation of financial information for such interim period in accordance with IAS 34 “Interim Financial Reporting”, and they are responsible for the preparation of financial information for such interim period under Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. Our responsibility is to express a conclusion on financial information for such interim period based on our review.

### **Scope of Review**

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

### **Conclusion**

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

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

Tel Aviv,  
May 24, 2023

Kesselman & Kesselman  
Certified Public Accountants  
Member of PricewaterhouseCoopers International Limited

**Ratio Energies – Limited Partnership**  
Condensed Consolidated Statement of Financial Position  
as of March 31, 2023

	March 31		December 31
	2023	2022	2022
	(Unaudited)		(Audited)
	\$ in thousands		
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	123,924	130,980	91,253
Financial assets at fair value through profit or loss	13,828	15,295	24,966
Short-term deposits	46,036	75,428	30,355
Restricted deposits	3,593	-	3,657
Derivative financial instruments	4,535	-	5,035
Trade and other receivables:			
Trade receivables	71,537	57,260	65,329
Operator of joint venture	8,352	3,745	10,737
Ratio Trusts Ltd. – the trustee – current account	261	330	269
Other receivables	3,544	2,016	1,304
Current taxes receivable	7,145	-	-
<b>Total current assets</b>	<u>282,755</u>	<u>285,054</u>	<u>232,905</u>
<b>Non-current assets:</b>			
Financial assets at fair value through profit or loss – investment in Ratio Petroleum	3,955	5,068	4,153
Derivative financial instruments	1,432	-	2,849
Other long-term assets, net	67,953	65,886	68,209
Restricted deposits	6,448	14,468	6,507
Fixed assets, net	152	57	104
Investments in oil and natural gas assets, net	808,436	804,362	803,803
<b>Total non-current assets</b>	<u>888,376</u>	<u>889,841</u>	<u>885,625</u>
<b>Total assets</b>	<u>1,171,131</u>	<u>1,174,895</u>	<u>1,118,530</u>
<b>Liabilities and the partners' equity</b>			
<b>Current liabilities:</b>			
Trade and other payables:			
Trade payables	191	58	118
Payables of the joint venture	15,179	12,091	13,277
Ratio Energies Management Ltd. – the GP - current account	1,024	2,905	1,056
Others	954	92	599
Current maturities of bonds	70,688	120,910	72,456
Current maturities of long-term loans from banking corporations	3,789	-	-
Interest payable	14,676	24,807	11,278
Payables	5,516	5,193	6,223
Options for consultants	-	39	-
Dividend payable	35,001	-	-
Provision for current taxes	-	5,494	3,685
<b>Total current liabilities</b>	<u>147,018</u>	<u>171,589</u>	<u>108,692</u>
<b>Non-current liabilities:</b>			
Provision for oil and natural gas asset retirement and disposal obligation	13,309	17,084	12,488
Bonds	80,139	213,324	80,139
Loans from banking corporations, net	507,716	487,990	510,627
Deferred taxes	63,092	30,574	56,167
<b>Total non-current liabilities</b>	<u>664,256</u>	<u>748,972</u>	<u>659,421</u>
<b>Total liabilities</b>	<u>811,274</u>	<u>920,561</u>	<u>768,113</u>
<b>Partners' equity</b>	<u>359,857</u>	<u>254,334</u>	<u>350,417</u>
<b>Total liabilities and partners' equity</b>	<u>1,171,131</u>	<u>1,174,895</u>	<u>1,118,530</u>

**Ratio Energies Management Ltd. – the GP, by:**

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

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

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

Date of approval of the Interim Financial Information by the GP's board: May 24, 2023.

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

**Ratio Energies – Limited Partnership**  
Condensed Consolidated Statement of Comprehensive Income  
for the 3-month period ended March 31, 2023

	3 months ended		Year ended
	March 31		December 31
	2023	2022	2022
	(Unaudited)		(Audited)
\$ in thousands (other than figures of profit per participation unit)			
<b>Revenues</b>			
From the sale of natural gas	93,025	81,979	379,944
Net of royalties	(14,868)	(13,662)	(57,951)
	78,157	68,317	321,993
<b>Expenses and costs</b>			
Natural gas and condensate production cost	11,633	10,641	42,584
Depreciation and amortization expenses	6,730	7,011	29,674
Oil and natural gas exploration expenses	25	-	131
G&A expenses	2,285	1,985	9,545
<b>Total expenses and costs</b>	20,673	19,637	81,934
<b>Operating income</b>	57,484	48,680	240,059
Financial income	2,474	4,034	16,020
Financial expenses	(15,990)	(12,903)	(59,383)
Financial expenses, net	(13,516)	(8,869)	(43,363)
<b>Income before income taxes</b>	43,968	39,811	196,696
Income taxes	(11,005)	(11,345)	(47,150)
<b>Net income and comprehensive income for the period</b>	32,963	28,466	149,546
<b>Basic and diluted profit per participation unit (in \$)</b>	0.029	0.025	0.133

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

## Ratio Energies – Limited Partnership

Condensed Consolidated Statement of Changes in the Partners' Equity  
for the 3-month period ended March 31, 2023

	Equity of the Partnership	Capital Reserve from Control Holders	Loss Balance	Total Equity
	\$ in thousands			
<b>Balance as of December 31, 2022</b> (audited)	318,864	1,101	30,452	350,417
<b>Movement in the 3 months ended</b>				
<b>March 31, 2023</b> (unaudited):				
Declared profits for distribution	-	-	(35,001)	(35,001)
Tax advances receivable for previous years	-	-	11,478	11,478
Net income and comprehensive income for the period	-	-	32,963	32,963
<b>Balance as of March 31, 2023</b> (unaudited)	<u>318,864</u>	<u>1,101</u>	<u>39,892</u>	<u>359,857</u>
<b>Balance as of December 31, 2021</b> (audited)	318,864	1,101	(94,097)	225,868
<b>Movement in the 3 months ended March 31, 2022</b> (unaudited) -				
Net income and comprehensive income for the period	-	-	28,466	28,466
<b>Balance as of March 31, 2022</b> (unaudited)	<u>318,864</u>	<u>1,101</u>	<u>(65,631)</u>	<u>254,334</u>
<b>Balance as of December 31, 2021</b> (audited)	318,864	1,101	(94,097)	225,868
<b>Movement during 2022</b> (audited):				
Profits distributed	-	-	(24,997)	(24,997)
Net income and comprehensive income for the year	-	-	149,546	149,546
<b>Balance as of December 31, 2022</b> (audited)	<u>318,864</u>	<u>1,101</u>	<u>30,452</u>	<u>350,417</u>

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

## Ratio Oil Exploration (1992) – Limited Partnership

### Condensed Consolidated Statement of Cash Flows

for the 3-month period ended March 31, 2023

(Cont.) – 1

	3 months ended March 31		Year ended December 31
	2023	2022	2022
	(Unaudited)		(Unaudited)
	\$ in thousands		
<b>Cash flows from operating activities:</b>			
Net cash deriving from operations, see Annex A	56,530	38,936	150,108
Interest received	485	96	1,232
Dividend received	24	11	58
<b>Total net cash deriving from operating activities</b>	<b>57,039</b>	<b>39,043</b>	<b>151,398</b>
<b>Cash flows from investment activities:</b>			
Repayment (deposit) of short-term deposits, net	(15,681)	(11,254)	9,932
Deposit of restricted deposits	-	-	28,369
Investment in other assets	(130)	(5,919)	(9,122)
Purchase of fixed assets	(55)	(4)	(64)
Investment in oil and natural gas assets	(7,212)	(3,302)	(28,470)
<b>Total net cash derived from (used for) investment activities</b>	<b>(23,078)</b>	<b>(20,479)</b>	<b>645</b>
<b>Cash flows from investment activities:</b>			
Loans from banking corporations	-	-	20,000
Repayment of Series B and C bond principal	-	-	(111,600)
Tax advances and balancing payments paid for participation unit holders	-	(13,920)	(13,920)
Distributed profits	-	-	(24,997)
Prepayment of Series B Bonds, net	-	-	(53,107)
Purchase of Series C Bonds, net	(1,356)	-	-
<b>Total net cash used for financing activities</b>	<b>(1,356)</b>	<b>(13,920)</b>	<b>(183,624)</b>
<b>Increase in cash and cash equivalents</b>	<b>32,605</b>	<b>4,644</b>	<b>(31,581)</b>
<b>Balance of cash and cash equivalents at the beginning of the period</b>	<b>91,253</b>	<b>125,383</b>	<b>125,383</b>
<b>Profits (losses) from exchange rate differences on cash and cash equivalents</b>	<b>66</b>	<b>953</b>	<b>(2,549)</b>
<b>Balance of cash and cash equivalents at the end of the period</b>	<b>123,924</b>	<b>130,980</b>	<b>91,253</b>

## Ratio Oil Exploration (1992) – Limited Partnership

### Condensed Consolidated Statement of Cash Flows

for the 3-month period ended March 31, 2023

(End) – 2

	3 months ended March 31		Year ended December 31
	2023	2022	2022
	(Unaudited)		(Audited)
\$ in thousands			
<b>(A) Annex to the condensed consolidated report on cash flows -</b>			
<b>Net cash derived from operations:</b>			
Net income and comprehensive income for the period	32,963	28,466	149,546
Adjustments for:			
Interest and dividend revenues	(509)	(107)	(1,290)
Depreciation and amortization	6,730	7,172	29,674
Profit (loss) from change in the fair value of derivative financial assets	1,917	-	)7,360(
Non-cash revenues and expenses:			
Losses (profits) from exchange rate differences on cash and cash equivalents	(66)	(953)	2,546
Income taxes	7,573	11,345	35,129
Expenses of exchange rate differences in respect of restricted deposits	123	239	61
Interest and discount in respect of loans from banking corporations	1,561	897	8,054
Interest on bonds, discount and exchange rate differences	2,303	3,028	(31,951)
Provision for oil and gas asset retirement and disposal obligation	140	84	342
Profit from change in the fair value of derivative financial assets through profit or loss	258	(84)	3,409
	52,993	50,087	188,160
Changes in operating asset and liability items:			
Decrease (increase) in trade and other receivables:			
Trade receivables	(6,208)	(9,319)	(17,388)
Sale (purchase) of financial instruments at fair value through profit or loss, net	11,078	(5,316)	(16,567)
Change in balance with Ratio Trusts Ltd.	8	8	69
Royalty differences	(635)	-	(5,365)
Other	(2,240)	(610)	102
Increase (decrease) in trade and other payables:			
Trade payables	73	14	74
Payables of the joint venture	(525)	1,399	4,025
Payables and other payables	(706)	320	1,311
Other	355	-	507
Change in balance with joint venture operator	2,385	(1,435)	(6,687)
Change in balance with Ratio Energies Management Ltd. – the GP	(48)	3,788	1,867
	3,537	(11,151)	(38,052)
<b>Net cash derived from operations</b>	<b>56,530</b>	<b>38,936</b>	<b>150,108</b>
<b>(B) Information on non-cash activities:</b>			
Investment in oil and natural gas explorations	9,709	8,722	7,282
Investment in other assets	-	-	(1,740)
Oil and gas asset retirement obligation against oil and natural gas assets	681	(3,782)	(8,636)
Tax advances receivable for previous years	11,478	-	-
Declared profits for distribution	35,001	-	-
<b>(C) Interest paid</b>	<b>10,382</b>	<b>4,763</b>	<b>62,353</b>

## Ratio Energies – Limited Partnership

### Notes to the Condensed Consolidated Financial Statements

as of March 31, 2023

(Unaudited)

#### Note 1 – General

- A.** Ratio Energies - Limited Partnership (the “**Partnership**” or “**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.
- B.** The Partnership’s income in the period of the financial statements from the sale of natural gas is mainly affected by the demand for natural gas as well as by the production transmission capacity.

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

	3 months ended		Year ended
	March 31		December 31
	2023	2022	2022
	(unaudited)		(audited)
<b>Revenues</b>			
<b>(in millions of \$)</b>			
Export Markets	76.0	60.7	284.2
Domestic market	17.0	21.3	95.7
	<b>93.0</b>	<b>82.0</b>	<b>379.9</b>
<b>Quantities (BCM)*</b>			
Export Markets	0.32	0.27	1.14
Domestic market	0.10	0.14	0.57
	<b>0.42</b>	<b>0.41</b>	<b>1.71</b>

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

- C.** The Partnership was founded according to a limited partnership agreement which was signed on January 20, 1993, as amended from time to time. The participation units of the Partnership were listed on the Tel Aviv Stock Exchange Ltd. (“**TASE**” in 1993. The Partnership’s offices are located at 85 Yehuda Halevi St., Tel Aviv.
- The ongoing management of the Partnership is carried out by Ratio Energies Management Ltd. (the “**GP**”) under the supervision of the supervisor, Adv. and CPA Simon Yaniv (the “**Supervisor**”). Ratio Trusts Ltd. (the “**LP**”) acts as trustee and holds the participation units (which confer a right to participate in the LP’s rights in the Partnership) and the warrants issued thereby, in escrow for the unitholders and the warrant holders.
- The GP and the LP hold 0.01% and 99.99% of the Partnership’s equity, respectively.

## Ratio Energies – Limited Partnership

### Notes to the Condensed Consolidated Financial Statements

as of March 31, 2023

(Unaudited)

#### Note 1 – General (Cont.):

**D. As of March 31, 2023, 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. (“**Ratio Financing**”), a special-purpose bond company (SPC) whose objects are: (1) raising debt and everything entailed thereby; (2) providing loans to the Partnership to be used by the Partnership to finance its share in the expenses in connection with the Leviathan Leases; (3) performing any and all actions entailed by the foregoing activity. Ratio Financing’s bonds are traded on the TASE.

Ratio Financing’s results are consolidated in the Partnership’s financial statements.

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

Leviathan Development’s results are consolidated in the Partnership’s financial statements.

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

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

As of March 31, 2023, 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.



## Ratio Energies – Limited Partnership

### Notes to the Condensed Consolidated Financial Statements

as of March 31, 2023

(Unaudited)

#### Note 1 – General (Cont.):

##### E. The Russia-Ukraine war

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

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

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

- A. The Group's financial information as of March 31, 2023 and for the 3-month interim period then ended (the "**Interim Financial Information**") was prepared in accordance with IAS 34 "Interim Financial Reporting" ("**IAS-34**") and in accordance with the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

The Interim Financial Information does not include all of the information and disclosures required in annual financial statements. The Interim Financial Information should be read in conjunction with the annual financial statements for 2022 and the notes attached thereto (the "**Annual Financial Statements**"), which comply with the International Financial Reporting Standards, which are standards and interpretations published by the International Accounting Standards Board (the "**IFRS**"), and include the additional disclosure required pursuant to the Securities Regulations (Annual Financial Statements), 5770-2010.

The Interim Financial Information is reviewed and unaudited.

**Ratio Energies – Limited Partnership**  
Notes to the Condensed Consolidated Financial Statements  
as of March 31, 2023  
(Unaudited)

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

**B. Functional currency and presentation currency**

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

**C. Estimates and discretion**

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

In the preparation of these condensed consolidated interim financial statements, the significant discretion exercised by the management in the application of the Group's accounting policy and the uncertainty entailed by the key sources of the estimates were identical to those in the Annual Financial Statements, other than:

Estimate of current maturities of loans from banking corporations

The timing and the amount of repayment of the loans from banking corporations (the "**Loans**") are based on an assessment by the Partnership's management of the available cash flow to be used for repayment of the Loans according to the cash sweep mechanism, in accordance with the terms of the Partnership's loan agreement, as stated in Note 5A below. Such amounts and the classification thereof are checked periodically for a review of the adequacy of the assessment.

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

**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 condensed consolidated financial statements is negligible, and therefore, in accordance with the securities laws, there is no need for the attachment thereof.

## Ratio Energies – Limited Partnership

### Notes to the Condensed Consolidated Financial Statements

as of March 31, 2023

(Unaudited)

#### Note 2 – The Basis for Preparation of the Condensed 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 comprehensive income in the consolidated statement.

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

#### Note 3 – Significant Accounting Policies

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, other than the provisions of Section B below.

##### A. Income Taxes

Taxes on income for interim periods are recognized based on the management's best estimate with respect to the average tax rate applicable to the total projected annual income.

##### B. New international financial reporting standards; amendments to the standards and new interpretations:

- 1) Amendments to existing standards which took effect and are binding starting from 2023:
  - a) Amendment to IAS 1 "Presentation of Financial Statements" – on Disclosure of Accounting Policies (the "**Amendment to IAS 1**")

The Amendment to IAS 1 requires companies to disclose their material accounting policies, in lieu of their significant accounting policies. According to the Amendment to IAS 1, information about the accounting policy is material if, when taken into account together with another information presented in the financial statements, it is reasonably expected to affect decisions made by the primary users of the financial statements based on such financial statements.

## Ratio Energies – Limited Partnership

### Notes to the Condensed Consolidated Financial Statements

as of March 31, 2023

(Unaudited)

#### Note 3 – Significant Accounting Policies (Cont.):

The Amendment to IAS 1 also clarifies that information on the accounting policy is expected to be material if, without it, the users of the financial statements will not be able to understand other material information in the financial statements. . In addition, the Amendment to IAS 1 clarifies that there is no need to disclose information on an immaterial accounting policy. However, insofar as such information is provided, it should not distract users from material information on an accounting policy.

The Amendment to IAS 1 applies to annual periods beginning on or after January 1, 2023. The Group is preparing to apply the Amendment to IAS 1 to the disclosure given on its accounting policy in the annual consolidated financial statements for 2023.

- b) Amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Error - on the definition of accounting estimates (the “**Amendment to IAS 8**”)

The Amendment to IAS 8 clarifies how entities should distinguish between changes in accounting policies and changes in accounting estimates. This is a material distinction since changes in accounting estimates are applied prospectively, for transactions and other events in the future, whereas changes in accounting policies are generally applied retrospectively for transactions and other events in the past, as well as for events and transactions in the current period.

According to the provisions of the Amendment IAS 8, the amendment was applied prospectively commencing on January 1, 2023. Initial application of the Amendment to IAS 8 had no material effect on the Group’s consolidated financial statements.

- 2) New standards and amendments to existing standards that have not yet taken binding effect and with respect to which the Group has not chosen early application:

In the Group’s Annual Financial Statements, information was provided regarding amendments to existing standards that have not yet taken binding effect and with respect to which the Group has not chosen early application.

As of the date of approval of these financial statements, there are no new standards or amendments to existing standards that were not presented in the Group’s Annual Financial Statements.

#### Note 4 – Investments in Oil and Natural Gas Assets

##### Developments in the Leviathan Leases

- A. Further to Note 8C3(f) 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, as of the date of approval of the financial statements, completion works in the Well was completed, according to the work plan, and it is expected to be connected to the existing subsea production system of the Leviathan Project during June-July 2023.

## Ratio Energies – Limited Partnership

### Notes to the Condensed Consolidated Financial Statements

as of March 31, 2023

(Unaudited)

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

- B.** Further to Note 25C5(I) to the Annual Financial Statements regarding the engagement with INGL for the construction of the Ashdod-Ashkelon combined section, on February 26, 2023, Chevron received a letter from INGL, whereby due to a malfunction in a ship carrying out infrastructure work for the laying of a subsea pipeline for INGL in the combined section, and further to a preliminary assessment received by INGL from the contractor building the combined section, a delay of at least 6 months is expected in the date of completion thereof, such that the time frame during which commencement of the gas flow is possible, has been postponed to the period from October 1, 2023 to April 1, 2024. INGL's said notice was given as a notice of *force majeure* according to the transmission agreement, stating that its full implications are not yet known thereto at this time. On March 9, 2023, Chevron responded on behalf of the Leviathan and Tamar partners to the said letter that it rejects the notice of *force majeure*. In the Partnership's estimation, the said delay will not have a material effect on the Partnership's business and results of operations. As of the date of approval of the financial statements, INGL reported the completion of the works on the Ashdod and Ashkelon shores during June 2023, the resumption of the laying of the subsea pipeline during June 2023 and a forecast for the commencement of gas flow in December 2023.
- C.** Further to Note 25C8 to the Annual Financial Statements regarding an agreement with Paz Ashdod Refinery Ltd. ("**PAR**") for the sale of condensate from the Leviathan Reservoir, on January 18, 2023, the Leviathan partners (the "**Sellers**"), engaged with PAR in an agreement for the sale of condensate to PAR (the "**Agreement**"), whose highlights are as follows:
- 1) The Sellers undertook to supply to PAR the condensate produced from the Leviathan Reservoir, which will be transported through systems of Energy Infrastructures Ltd. ("**PEI**").
  - 2) The Agreement provides, *inter alia*, for restrictions on the maximum quantities (on the daily and monthly levels) of the condensate to be supplied to PAR, fines for breach of the provisions of the Agreement, and other provisions as customary in agreements of this kind.
  - 3) The transport of the condensate to PAR will begin on the date of commencement of the transport in the PEI pipeline (the "**Flow Commencement Date**"), and last for a period of 4 years. The Leviathan partners estimate that the Flow Commencement Date will occur in December 2023, subject to fulfillment of the closing conditions in the transportation agreement.
  - 4) The price to be paid to the Sellers is determined according to the Brent oil barrel price, net of a margin, in a graded method, as detailed in the Agreement.
- D. Update of evaluations of resources in the Leviathan Reservoir**
- In March 2023, a report was received from Netherland, Sewell & Associates, Inc. ("**NSAI**") evaluating reserves and contingent resources in the leases, updated as of December 31, 2022 (the "**Reserves and Resources Report**").

## Ratio Energies – Limited Partnership

### Notes to the Condensed Consolidated Financial Statements

as of March 31, 2023

(Unaudited)

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

According to the SPE-PRMS Reserves and Resources Report, the stage of maturity of the project to which the natural gas and condensate proved reserves are classified is 'on production', for the reserves to be produced through the Leviathan facilities, including the Third Pipeline facilities and the Leviathan Reservoir also has natural gas and condensate contingent resources, which are classified as a project at a maturity stage of development pending.

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

Reserves and contingent resources category	Total (100%) in the petroleum asset (gross)	
	Natural Gas (BCM)	Condensate (million barrels)
Total Proved+Probable Reserves (2P):	440.9	34.3
Estimate Contingent Resources (2C):		
Phase 1A	76.7	5.9
Future development	101.6	7.9
Total Proved+Probable Reserves and Best Estimate Contingent Resources (2P+2C)	619.2	48.1

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 1 – First Stage: resources attributed to Phase 1 – First Stage of the Leviathan Reservoir development, plus the Third Pipeline project. Such resources are contingent on the adoption of decisions to drill additional wells, to construct production and transmission infrastructures and to sign additional agreements for the sale of natural gas and condensate .

Future Development – resources contingent on the adoption of additional investment decisions according to additional development phases of the Leviathan Reservoir (beyond Phase 1 - First Stage stated above) and on the signing of additional agreements for the sale of natural gas .

See Section E below with respect to uncertainty in reserves and contingent resources evaluation of natural gas and condensate.

#### E. 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 analyses and models of geological, geophysical, engineering and other information received, *inter alia*, from the surveys and 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.

## Ratio Energies – Limited Partnership

### Notes to the Condensed Consolidated Financial Statements

as of March 31, 2023

(Unaudited)

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

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 production projects, including as a result of additional analyses and modellings of existing and new information as well as from actual production data from the reservoir.

#### 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. 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).

As of March 31, 2023, the Partnership is in compliance with all financial covenants assumed thereby under the Loan agreement, and whose highlights were specified in the Annual Financial Statements.

As of March 31, 2023 and as of the date of approval of the financial statements, the loan amounts that have been drawn down from the Loan facility total \$520 million. See Note 9B below for details on the fair value of the Loan.

Further to Note 11A2(e) to the Annual Financial Statements, regarding hedging transactions entered into by the Partnership in connection with the LIBOR interest, in May 2023, the Partnership entered into an IRS hedging transaction in the sum of \$100 million starting from January 16, 2024 until July 15, 2027. The interest rate is fixed at 2.917% rather than variable (TERM SOFR interest). (The hedging transaction was made through the company Leviathan Development, which provides the Loan to the Partnership on back-to-back terms).

According to the cash sweep mechanism described in Note 11A2(C) to the Annual Financial Statements, from 2024, repayment of amounts on account of the principal at variable rates will be carried out in accordance with specific debt coverage ratios (DSCR above 1.3 – 25%, below 1.3 – 40%), out of an adjusted cash balance as of the end of each quarter in accordance with the mechanism specified in the agreement (DSCR Cash Sweep). The debt coverage ratio is calculated as a ratio between the operating cash flow before the debt service cost and the debt service costs (principal, interest and fees) for the last 12 months. Accordingly, as of March 31, 2023, the Partnership's management estimated that during the 12 months from the balance sheet date (namely, until March 31, 2024), out of the outstanding loans from banking corporations, repayments will be made in the sum of approx. \$3.8 million that are classified in the Consolidated Condensed Statement of Financial Position under current liabilities, as current maturities of loans from banking corporations.

## Ratio Energies – Limited Partnership

### Notes to the Condensed Consolidated Financial Statements

as of March 31, 2023

(Unaudited)

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

##### B. Buy-back of bonds

In accordance with the resolution of the GP's board of March 28, 2023, and as part of the process of reducing the Partnership's debts, the Partnership intends to purchase Series C Bonds and Series D Bonds of Ratio Financing, insofar as the same shall constitute a good business opportunity at such time, up to a total amount of ILS 300 million par value (over and above the quantity of Series C Bonds held as of the date of the board's resolution). The bonds that were and shall be purchased by the Partnership (if any), further to the board's said resolution, shall not be offered for sale on or off TASE.

During Q1/2023, the Partnership purchased par value 4,659,575 of Series C Bonds of Ratio Financing (constituting approx. 2.2% of the total issued par value of the Series C Bonds of Ratio Financing) in consideration for approx. ILS 4.8 million (approx. \$1.4 million).

The 'short-term deposits' item presented in the Consolidated Condensed Statement of Financial Position is intended to serve for the bond purchasing as aforesaid.

The item long-term liability in respect of bonds, current maturities of bonds and interest payable for bonds that are included in the Statement of Financial Position are presented net of the bonds that were purchased as noted above.

#### Note 6 – Related Parties

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

	3 months ended		Year ended
	March 31		December 31
	2023	2022	2022
	(Unaudited)		(Audited)
	\$ in thousand		
Operator fees to the GP	285	285	1,140
Geological advice	36	36	144
Overriding royalties	4,822	4,431	18,795
Director fees and related expenses	112	138	466
Fees to and expenses of the LP, the trustee	*	*	2

\* Less than \$1 thousand.

Short-term deposits in the Condensed Consolidated Statement of Financial Position are used for the purchase of Series C and D bonds of Ratio Financing, for the Partnership, in accordance with the resolution of the GP's board. See also Note 5B above.



## Ratio Energies – Limited Partnership

### Notes to the Condensed Consolidated Financial Statements

as of March 31, 2023

(Unaudited)

#### Note 7 – Contingent Liabilities

##### Legal Proceedings

- A.** 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 Note 25D3 to the Annual Financial Statements, regarding the claim of the Fields partnership, on April 27, 2023, the plaintiff filed a motion for leave to file a motion for discovery and inspection of documents from a petition for approval of a derivative claim, specified in Section (B) below. After the filing of a response to the motion by the Fields partnership's defendants, the court issued its decision, granting the motion, while emphasizing that the granting of the motion does not derogate from claims made by the Fields partnership's defendants, whereby the transcripts of the witnesses' examinations in the Langotzky claim are inadmissible and carry no evidential weight.

Further to Note 25D(4) to the Annual Financial Statements, regarding the consolidation of the hearings in the Fields company claim with the Fields partnership claim, a concluding pretrial was held, in which dates were scheduled for trial hearings, and it was further ruled that for the time being there is no room to appoint a court expert.

However, considering the difficulty in finding an appropriate expert, the court ordered the parties to cooperate and start looking for a potential expert.

At this stage, in view of the preliminary stage of the proceedings, the Partnership and its legal counsel are unable to estimate the chances of the claims being granted. However, based on the information that the Partnership and its legal counsel currently have in their possession as of the date of approval of the financial statements, the chances of the claims being accepted are lower than the chances of the claims being denied.

- B.** Nof v. Rotlevy - Motion for approval of a derivative suit

Further to Note 25D7 to the Annual Financial Statements, regarding a motion for approval of a derivative suit on behalf of Ratio partnership, in March and April 2023, the parties filed motions and responses with respect to the witnesses and the revisit. As of the date of approval of the financial statements, the matter has not yet been decided.

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 for approval of a derivative suit being granted. However, based on the information that the Partnership and its legal counsel currently have in their possession, as of the date of approval of the financial statements, the chances of the claim being accepted are lower than the chances of the claim being denied.

## Ratio Energies – Limited Partnership

### Notes to the Condensed Consolidated Financial Statements

as of March 31, 2023

(Unaudited)

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

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

Further to Note 25D8(b) to the Annual Financial Statements, regarding a claim filed by Haifa Port Company Ltd. ("**Haifa Port**") against Chevron, Coral Maritime Services Ltd. and Gold-Line Shipping Ltd., on April 3, 2023, Haifa Port filed a motion for summary dismissal of the counterclaim. According to Haifa Port there is no privity between Haifa Port and Chevron, since the invoices and the mooring fees were paid by the ship agent. Chevron was required to respond to such motion. In the estimation of the lawyers representing chevron, the chances of the motion for summary dismissal of the counterclaim being accepted, are slim.

Dates for filing answers to the motions that were filed in the framework of preliminary proceedings were updated, and a pretrial hearing was scheduled for June 11, 2023.

At this preliminary stage, the lawyers representing Chevron are unable to estimate the chances of the claim and the counterclaim. However, according to the lawyers representing Chevron, it is more likely that the primary claim be dismissed than accepted.

#### Note 8 – Additional Information:

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

##### A. Royalties

Further to Note 18 to the Annual Financial Statements, the Partnership records in its financial statements expenses for the state royalties according to a rate of 11.26% (according to the Ministry of Energy's demand regarding payment of royalty advances). However, it is the Partnership's position that a calculation of the actual rate of the state royalties in respect of the revenues from the Leviathan Project needs to reflect the complexity of the project, the risks entailed thereby and the scope of the investments in the project. According to a calculation based on the principles of the Specific Instructions released for the Leviathan lease further to Note 18 to the Annual Financial Statements, the Partnership estimates that the actual rate of the state royalty should be 10.80% and 10.97% in the 3 months ended on March 31, 2023 and in the year ended December 31, 2022, respectively. The aggregate difference between the state royalties actually paid according to the rate of the advances that was set (11.26%), and the effective state royalty rate as aforesaid, totaled approx. \$4.1 million and was included in the Condensed Consolidated Statement of Financial Position under the 'other long-term assets, net' item as of March 31, 2023.

The method of calculating the state royalties is also used for calculating the market value at the wellhead of the overriding royalty paid by the Partnership. In accordance with the aforesaid, the Partnership estimates that the actual rate of the overriding royalty should be approx. 5.18% and 5.26% in the 3 months ended March 31, 2023 and in the year ended December 31, 2022, respectively. The aggregate difference between the overriding royalties actually paid and the effective overriding royalty rate as aforesaid, totaled approx. \$1.9 million and was included in the Condensed Consolidated Statement of Financial Position under 'other long-term assets, net' item as of March 31, 2023.

## Ratio Energies – Limited Partnership

### Notes to the Condensed Consolidated Financial Statements

as of March 31, 2023

(Unaudited)

#### Note 8 – Additional Information: (Cont.)

On September 1, 2022, the response of the partners in the Leviathan Project to the said Specific Instructions was submitted. As of the date of approval of the financial statements, the Ministry of Energy's reply has not yet been received.

On December 27, 2022, the Leviathan partners sent a letter to the Ministry of Energy on reduction of the rate of advances from January 2023. No answer has been received from the Ministry of Energy as of the date of approval of the financial statements.

In the event that a final royalty rate is determined with the Ministry of Energy, an adjustment shall be made accordingly.

#### B. Shelf prospectus

On May 23, 2023, the Partnership released a shelf prospectus for a public offering of securities. The issuance of securities of the Partnership according to the shelf prospectus and the listing thereof, are subject to the receipt of the approvals required by law and shall be according to the shelf prospectus reports, to the extent released.

#### C. Profit distribution

On March 28, 2023, the GP's board approved a profit distribution in the sum of \$35 million, while the effective date for distribution is April 10, 2023. Such profit distribution was on April 24, 2023.

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

#### E. Further to Note 25G2 to the Annual Financial Statements, regarding decisions of the Natural Gas Authority Council with respect to the financing of projects for export via the national transmission system, on March 28, 2023, the Natural Gas Authority published a call to any interested party to present an offer or position to the Natural Gas Authority Council on the issue of financing of and capacity allocation in all of the export lines using the Israeli transmission system, as well as the Ramat Hovav-Nitzana line and part of the available capacity in the Jordan North line (the "**Call**"). The Call determines, among other things, instructions in the matter of the method of determining the total allocation for each exporter in all of the transmission segments intended for export and transmission segments leading to the segments intended for export, instructions regarding the allocation of space for a new exporter, as well as the right of the Natural Gas Authority Council to convert an export line into an import line in the event that it believed that it was possible to import natural gas at a lower price than that of the local market's consumers. Leviathan partners' comment on the decision draft was submitted to the Natural Gas Authority Council on May 7, 2023.

## Ratio Energies – Limited Partnership

### Notes to the Condensed Consolidated Financial Statements

as of March 31, 2023

(Unaudited)

#### Note 8 – Additional Information: (Cont.)

- F. Further to Note 15E to the Annual Financial Statements, regarding the tax report submitted by the Partnership for Y2021, under which the Partnership had no taxable income, on May 8, 2023 a tax refund was received for the corporate tax advances paid for Y2021, as stated in Note 15G1 to the Annual Financial Statements.

#### Note 9 – Financial Instruments and Financial Risks

##### A. Fair value disclosures

Set forth below are figures regarding the fair value hierarchy of the financial assets and financial liabilities of the Partnership, measured at fair value which were recognized in the Condensed Consolidated Statements of Financial Position:

	March 31, 2023			
	Level 1	Level 2	Level 3	Total
	\$ in thousands			
<b>Assets:</b>				
Financial assets at fair value through profit or loss:				
Financial assets at fair value through profit or loss	13,828	-	-	13,828
Financial assets at fair value through profit or loss				
- investment in Ratio Petroleum	3,955	-	-	3,955
Derivative financial assets	-	5,967	-	5,967
<b>Total assets</b>	<b>17,783</b>	<b>5,967</b>	<b>-</b>	<b>23,750</b>

	March 31, 2022			
	Level 1	Level 2	Level 3	Total
	\$ in thousands			
<b>Assets:</b>				
Financial assets at fair value through profit or loss:				
Financial assets at fair value through profit or loss	15,295	-	-	15,295
Financial assets at fair value through profit or loss				
- investment in Ratio Petroleum	5,068	-	-	5,068
<b>Total assets</b>	<b>20,363</b>	<b>-</b>	<b>-</b>	<b>20,363</b>

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
	\$ in thousands			
<b>Assets:</b>				
Financial assets at fair value through profit or loss:				
Financial assets at fair value through profit or loss	24,966	-	-	24,966
Financial assets at fair value through profit or loss				
- investment in Ratio Petroleum	4,153	-	-	4,153
Derivative financial assets	-	7,884	-	7,884
<b>Total assets</b>	<b>29,119</b>	<b>7,884</b>	<b>-</b>	<b>37,003</b>

## Ratio Energies – Limited Partnership

### Notes to the Condensed Consolidated Financial Statements

as of March 31, 2023

(Unaudited)

#### Note 9 – Financial Instruments and Financial Risks (Cont.)

During the 3-month period ended March 31, 2023, and the 12-month period ended December 31, 2022, no transfers were made between Level 1 and Level 2.

#### B. Description of valuation techniques and data used for measurements classified at level 2 of the fair value scale

Derivatives used for hedging include interest rate swaps. The interest rate swaps were valued using future interest rates based on an observable yield curve. The classification of the data, which was used to calculate the fair value of the derivatives, can be viewed at 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 March 31, 2023, including cash and cash equivalents, other receivables, short-term investments, short-term deposits, trade payables, other payables and other liabilities, with the exception of liabilities in respect of bonds and loans from corporations, is consistent with or reasonably proximate to the fair value thereof.

The fair value of liabilities in respect of the bonds and loans from banking corporations is specified below:

	As of March 31		As of Dec. 31
	2023	2022	2022
	(Unaudited)		(Audited)
	\$ in thousands		
<b>Fair value:</b>			
Series B Bonds*	-	136,419	-
Series C Bonds**	62,977	134,733	63,572
Series D Bonds	86,631	97,906	86,309
Loans from banking corporations	542,243	508,309	554,118
<b>Total</b>	<b>691,851</b>	<b>877,367</b>	<b>703,999</b>

\* Series B Bonds were fully redeemed on November 6, 2022.

\*\* Net of Series C Bonds that were purchased by the Partnership. See also Note 5B above.

#### 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.

**Ratio Energies – Limited Partnership**  
Notes to the Condensed Consolidated Financial Statements  
as of March 31, 2023  
(Unaudited)

**Note 10 – Subsequent Events**

**A. IRS hedging transaction**

See Note 5A for subsequent development.

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

See Note 7A for subsequent development.

**C. D.A. 29330-02-22 Nof v. Rotlevy - Motion for approval of a derivative suit**

See Note 7B for subsequent development.

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

See Note 7C for subsequent development.

**E. Release of a shelf prospectus**

See Note 8B for subsequent development.

**F. Profit distribution**

See Note 8C for subsequent development.

**G. Publication of the Policy Draft by the Ministry of Energy**

See Note 8D for subsequent development.

**H. Leviathan partners' comment on the draft decision to the Natural Gas Authority Council**

See Note 8E for subsequent development.

**I. Refund for tax advances due to previous years**

See Note 8F for subsequent development.

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