Ratio Energies

Financial Report

As of 30.9.2023

Ratio Energies

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Chapter A

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

Update to Chapter A (Description of the Corporation's Business) of the 2022 Periodic Report of Ratio Energies – Limited Partnership (the "Partnership")[1]

1. Section 4 of the Periodic Report – Distribution of Profit

   On 14 September 2023, an interim profit distribution was made, in the sum total of 30 million US dollars ("**$**"), following approval by the board of directors of Ratio Energies Management Ltd., the Partnership's general partner (the "**General Partner**"), that was received on 23 August 2023.

2. Section 6 of the Periodic Report – General Environment and Impact of External Factors

   a. The "Iron Swords" war

      In October 2023, Following the deadly terror attack perpetrated by the terrorist organization "Hamas" from the Gaza strip, targeting civilians and military bases, the “Iron Swords” war broke out in Israel (the “**War**”). For further details regarding the war's impact on the general environment and the Partnership's operations, see Note 1.E. to the financial statements below. As of the report approval date, the War is ongoing and it is impossible to predict how long it will last or its long-term impact on the Partnership.

   b. Section 6.12 of the Periodic Report – Fourth Tender

      On 29 October 2023, the Partnership received notice by the Petroleum Commissioner at the Ministry of Energy and Infrastructure, whereby the Partnership, together with its partners (as detailed below) won a tender for 6 marine exploration licenses in one cluster, Cluster G – which includes licenses 27, 28, 36, 37, 70, 74 (hereinafter, jointly: the "**Licenses**").

      The partners in each one of the Licenses, and the rate of their holdings, as of this date (assuming that the Licenses will be granted) shall be as follows: the Partnership – 10.00%; ENI East Med BV – 75.00% (an

[1] This chapter presents material changes or events that took place in the Partnership's business in Q3/2023, in accordance with Regulation 39A of the Securities Regulations (Periodic and Immediate Reports), 5730-1970, as well as other updates regarding the Partnership's business that took place from the date of release of the 2022 periodic report which was released on March 29, 2023, Ref. no.: 2023-01-030022 (the "**Periodic Report**") until shortly before the date of approval of this report, on any matter that is required to be described in the Periodic Report and was not updated in the Q1/2023 quarterly report which was released on 24 May 2023, Ref. no.: 2023-01-048025 (the "**Q1 Report**") and in the Q2/2023 quarterly report which was released on 24 August 2023, Ref. no.: 2023-01-097689 (the "**Q2 Report**"). The update refers to the section numbers in Chapter A of the Periodic Report, unless stated otherwise.

operator in the Licenses); DANA PETROLEUM (East Med) LIMITED – 15.00%.

The notice informed that following completion of a number of acts by the Partnership and its partners, which include, *inter alia*, the provision of guarantees according to the tender's terms and conditions, and the payment of a signing bonus, the Petroleum Commissioner will act to grant the License pursuant to the tender's terms and conditions.

For further details, see immediate report of 30 October 2023 (Ref. no.: 2023-01-099313), the information in which is included herein by reference.

On 20 November 2023, the Partnership released an immediate report on the convening of an annual and special general meeting of the unit holders, the agenda of which includes, *inter alia*, a proposed resolution to amend Section 5.1 of the Limited Partnership agreement and add the said Licenses to the list of projects in which the Partnership is entitled to participate. The general meeting is scheduled to convene on 12 December 2023. For further details, see immediate report of 20 November 2023 (Ref. no.: 2023-01-125889), the information in which is included herein by reference.

3. Section 8.1.6(3)F of the Periodic Report – Plan for the Development of the Leviathan Reservoir – Stage 1B

Further to Section 8.1.6(3)F of the Periodic Report and Section 3(c) of the update to Chapter A of the Q2 Report regarding stage 1B of the development plan for the Leviathan project, it is noted that as of the report approval date, the Pre-FEED stage for expansion of the Leviathan reservoir's production system has been completed, including the planning of subsea infrastructures and of required facilities on the production platform, and the Leviathan partners intend to proceed to performance of the FEED for purposes of increasing the natural gas quantities for export via existing and future infrastructures (as specified in Section 5 below) to the domestic and regional markets.

It is noted, that during performance of the Pre-FEED for the FLNG facility, indications emerged of a material change in the cost estimation for building the FLNG facility, and therefore the Leviathan partners intend to review the economic implications of the decision regarding the FEED stage.

4. Section 10 of the Periodic Report – Customers

In the report period and until shortly before the date hereof, the Leviathan Partners engaged in several agreements with various customers in the domestic market for the supply of natural gas on a SPOT basis, mostly as a result of the halting of production from the Tamar reservoir as a result of the War, as stated in Note 1.E. to the financial statements below.

5. <u>Section 11 of the Periodic Report – Marketing and distribution</u>

a. Further to Section 11.2 of the Periodic Report and Section 5 of the update to Chapter A of the Q2 Report, with respect to preliminary budgets that were approved by the Leviathan partners for the purpose of technical design and preliminary procurement for the development of regional infrastructures, it is noted that on 25 October 2023 the Leviathan Partners approved additional preliminary budgets in order to meet short timeframes, also prior to making final investment decisions (FID), if made, as follows:

1) Additional sum of approx. $11 million (100%, the Partnership's share is approx. $1.65 million) in connection with the construction of a new onshore connection between the Israeli transmission system and the Egyptian transmission system in the area of Nitzana, such that the total budget approved as of the report approval date is approx. $14.5 million (100%, the Partnership's share is approx. $2.2 million).

2) An additional sum of approx. $24.3 million (100%, the Partnership's share is approx. $3.65 million) to ensure a supply timeline for the construction of a compressor station and additional work in the Jordanian transmission system, such that the total budget approved as of the report approval date is approx. $37.5 million (100%, the Partnership's share is approx. $5.6 million).

b. Further to Section 11.3 of the Periodic Report regarding an agreement signed between Chevron and Energy Infrastructures Ltd. ("**PEI**") for the piping of condensate from the Leviathan project via an existing pipeline of PEI and its related systems, it is noted that as a result of the War, the date of commencement of the piping of the condensate in the said pipeline is expected to be postponed to Q1/2024, subject to fulfillment of the conditions precedent in the transmission agreement.

c. Further to Section 11.4.1(2) of the Periodic Report, regarding the timetables for transmission of the gas in the section of the Ashdod-Ashkelon marine transmission system, it is noted that in October 2023, Chevron updated the Partnership that it received notice from INGL whereby as a result of the War, work on such project had been suspended and that the expected date of commencement of the flow is about four months from the date of resumption of the work. As of the report approval date, the work has not yet been resumed, therefore there is uncertainty regarding the expected date for the completion of the said project and its final cost.

6. <u>Section 22 of the Periodic Report – Loss/Profit from a Business Attributable to Unit Holders</u>

On 8 November 2023, the Partnership issued temporary tax certificates for entitled holders in respect of the holding of participation units of the Partnership for the years 2020-2021.

For further details, see immediate report of 8 November 2023 (Ref. no.: 2023-01-122799), the information in which is included herein by reference.

7. Section 23.2.9 of the Periodic Report – The Climate Bill

On 12 September 2023, the Ministerial Committee for Legislative Affairs approved the draft Climate Law, 5783-2023 (the "**Draft Climate Law**") in preparation for the first reading in the Knesset. The Draft Climate Law anchors a national target for reducing greenhouse gas emissions for the year 2030 and increases it from a 27% reduction in greenhouse gas emissions, as stipulated in Government Resolution no. 171, to a 30% reduction in greenhouse gas emissions, such that it will be 70% of the quantity of greenhouse gas emissions measured in 2015 (the base year). In addition, on 22 September 2023, Government Resolution no. 927 was adopted, in which the Government approved the Draft Climate Law subject to several amendments. It is noted that due to the impact of the War on the activity of the Knesset, and in particular the legislative activity, as of the report approval date, there is no certainty as to the date and manner of promotion of the Draft Climate Law.

8. Section 24 of the Periodic Report – Limitations and Supervision over the Partnership's Operations

Following the outbreak of the War, on 9 October 2023 and on 18 October 2023, the Government adopted Resolutions no. 943 and 977, respectively, regarding "declaration of emergency in the natural gas sector". In these Resolutions, the Government authorized the Minister of Energy and Infrastructure to declare a state of emergency in the natural gas sector so long as the circumstances stated in Government Resolution no. 2592 are fulfilled, and insofar as it is necessary to exercise the powers prescribed in the Natural Gas Economy Regulations (Management of the Natural Gas Economy During an Emergency), 5777-2017 (the "**Emergency Regulations**"), in order to tackle a natural gas shortage in the domestic market, if any, starting from the date of issuance of the Resolutions until 23 November 2023. On 23 November 2023, Government resolution no. 1075 of 21 November 2023, was published, which extends the Minister of Energy's option to declare a state of emergency in the natural gas sector, until 1 January 2024. In the context of such resolutions, it was determined that any declaration given within the approved timeframe will be given for a period of no more than two weeks, and in any event will end no later than 15 January 2024. In accordance with Section 8 of the Emergency Regulations, the Minister is authorized, *inter alia*, to order a different allocation of quantities of natural gas for supply. It is clarified that, as of the report approval date, there is no shortage of natural gas in the domestic market.

9. Section 24.8.3 of the Periodic Report – Directives for Calculation of the Royalty Value at the Wellhead

In October 2023, a letter of demand was received from the Ministry of Energy, whereby the Leviathan partners should make downpayments on account of royalties on income from the Leviathan Project in 2023, at a rate of 11.06%, instead of 11.26% – the rate paid from the commencement of gas supply from the reservoir. For further details, see Note 8 to the financial statements below.

10. Section 26 of the Periodic Report – Legal Proceedings

As for updates regarding legal or administrative proceedings to which the Partnership or the Operator is a party, see Note 7 to the financial statements below.

11. Below is a table that includes natural gas production data from the Leviathan project in Q1/2023, Q2/2023 and Q3/2023[2,3]

Issue	Q1	Q2	Q3
Total output (attributable to the Partnership's equity interest holders) for the period (in MMCF)	14,979.27	13,247.79	15,296.88
Average price per unit of output (attributable to the Partnership's equity interest holders) ($ per MCF)	6.21	6.28	6.18
Average royalties (any payment derived from the output of the producing asset including the gross income from the petroleum asset) paid per unit of output (attributable to the Partnership's equity interest holders) ($ per MCF) – State[4]	0.69	0.71	0.67
Average royalties (any payment derived from the output of the producing asset including the gross income from the petroleum asset) paid per unit of output (attributable to the Partnership's equity interest holders) ($ per MCF) – General Partner and Geologist[5]	0.33	0.34	0.32

2 The figures presented in the table above in relation to the rate attributable to the Partnership's equity interest holders in an average price per unit of output, in royalties paid, in production costs and in net revenues, have been rounded up to two digits after the decimal point.

3 Since the total costs associated with the production of condensate during the first, second and third quarters of 2023 exceeded the total revenues received therefor, and since the condensate is a by-product of the production of natural gas, no separate data related to the production of the condensate was presented in the above table. Any and all costs and expenses in connection with the production of the condensate were attributed to the production of natural gas.

4 For details in connection with royalties to the State, see Note 18 to the 2022 financial statements, which are included in the Periodic Report, and Note 8A to the financial statements.

5 For details regarding the overriding royalties, see Note 24C to the 2022 financial statements, included in the Periodic Report, and Note 8A to the financial statements.

Issue	Q1	Q2	Q3
Average production costs per unit of output (attributable to the Partnership's equity interest holders) ($ per MCF)[6, 7]	0.78	0.83	0.82
Average net revenues per unit of output (attributable to the Partnership's equity interest holders) ($ per MCF)	4.41	4.40	4.37

6 It is noted that the average production costs per unit of output include costs for the transmission of natural gas through the INGL transmission system to the EMG transmission point in Ashkelon and to the FAJR terminal at the Jordanian border as well as transmission costs via the Jordanian transmission system (FAJR) to the delivery point in Aqaba, Jordan, for the purpose of supplying gas to Egypt in the amount of approx. $38.1 million in Q1, approx. $38.8 in Q2 2023 and approx. $40.1 million in Q3 of 2023 (in 100% terms).

7 The average production costs per unit of output include current production costs only and do not include the exploration and development costs of the reservoir, future abandonment costs and levy and tax payments that will be paid in the future by the Partnership.

Chapter B

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.

28 November 2023

Report of the Board of Directors of the General Partner on the State of the Partnership's Business for the Nine-Month period ended 30 September 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 30 September 2023 and for the nine-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 30 September 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 31 December 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. 8.22 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. 10.2 BCM of natural gas was sold from the Leviathan Reservoir (100%). The Partnership's revenues in the Report Period totaled approx. $270.8 million; the EBITDA in the Report Period totaled approx. $186 million. For details regarding the results of operations, see Section 2 below.

On 28 March 2023, the board of directors of the General Partner approved a distribution of profit in the total sum of U.S. $35 million, which was added to the approval of (interim) distribution of profits in the total sum of $25 million on 30 August 2022, based on the Partnership's financial results for 2022.

In addition, on 23 August 2023, the board of directors of the General Partner approved an (interim) distribution of profit in the total sum of U.S. $30 million. Such distribution of profit was conducted on 14 September 2023.

On 16 July 2023, the Partnership submitted a bid, as part of a consortium, in the fourth competitive process for the receipt of licenses for natural gas exploration in Israeli waters, which was released by the Ministry of Energy and Infrastructure. On 29 October 2023, the Partnership received notice by the Petroleum Commission at the Ministry of Energy, according to which the Partnership, together with its partners, won the tender of six marine exploration licenses in one cluster. For further details, see the immediate report of 30 October 2023 (Ref. no.: 2023-01-099313) the information appearing in which is incorporated herein by reference. On 20 November 2023, the Partnership released an immediate report for the convening of a special and annual general meeting of the holders of participation units, on which agenda, *inter alia*, was a proposal to amend Section 5.1 of the limited partnership agreement, and add the licenses to the list of projects in which the Partnership is entitled to participate.

Following the deadly attack perpetrated by the terrorist organization "Hamas" on 7 October 2023, targeting communities and military bases in the south of Israel, the Israeli government declared the "Iron Swords" war against this terrorist organization (the "**War**"). As of the date of approval of the Financial Statements, the War is ongoing and it is impossible to predict how long it will last or its impact on the Partnership, its business and its assets. For further details, see Note 1E to the Financial Statements.

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 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 nine-months ended 30 September		For the three-months ended 30 September		For the year ended 31 Dec.
	2023	2022	2023	2022	2022
	$ in millions				
Revenues					
From natural gas sales	270.8	284.4	94.6	105.8	380.0
Net of royalties	(42.7)	(42.5)	(15.1)	(17.5)	(58.0)
Net revenues	**228.1**	**241.9**	**79.5**	**88.3**	**322.0**
Expenses and costs					
Cost of natural gas and condensate production	(35.2)	(31.3)	(12.5)	(9.0)	(42.6)
Depreciation and amortization expenses	(20.4)	(22.1)	(7.2)	(7.8)	(29.7)
Oil and natural gas exploration costs	(0.1)	(0.1)	(*)	(0.1)	(0.1)
G&A expenses	(6.8)	(6.4)	(2.3)	(1.9)	(9.5)
Operating income	**165.6**	**182.0**	**57.5**	**69.5**	**240.1**
Net financial expenses	(34.3)	(27.5)	(11.5)	(12.0)	(43.4)
Profit before taxes on income	**131.3**	**154.5**	**46.0**	**57.5**	**196.7**
Taxes on income	(33.1)	(35.7)	(12.2)	(13.1)	(47.2)

	For the nine-months ended 30 September		For the three-months ended 30 September		For the year ended 31 Dec.
	2023	2022	2023	2022	2022
	$ in millions				
Net profit and other comprehensive income for the period	**98.2**	**118.8**	**33.8**	**44.4**	**149.5**
Natural gas sales in BCM[1]	**8.22**	**8.54**	**2.89**	**3.02**	**11.38**
Condensate production in Israel (barrels in thousands)[2]	**655.39**	**675.65**	**233.29**	**239.75**	**901.53**

*Represents an amount lower than $100 thousand.

2.1.1 **Net revenues** – Revenues from natural gas sales totaled approx. $270.8 million in the Report Period compared with approx. $284.4 million in the same period last year, a decrease of approx. 4.8%. Revenues from natural gas sales in Q3/2023 totaled approx. $94.6 million, compared with approx. $105.8 million in the same period last year, a decrease of approx. 10.7%. The decrease mostly derives from the decrease in the quantities of natural gas sold from the Leviathan Reservoir from approx. 8.54 BCM (100%) in the same period last year to approx. 8.22 BCM (100%) in the Report Period, and from approx. 3.02 BCM (100%) in Q3/2022 to approx. 2.89 BCM (100%) in Q3/2023, as well as from the decrease in the prices of natural gas sold in the export markets, which is partly linked to the Brent barrel price.

Total royalties include royalties to the State and overriding royalties in accordance with the Partnership agreement. Royalty expenses totaled approx. $42.7 million in the Report Period, compared with approx. $42.5 million in the same period last year. Royalty expenses in the same period last year include adjustment made by the Partnership in order for it to reflect the specific directives for the manner of calculation of the royalty value at the wellhead for the Leviathan Project, which were released by the Natural Resources Administration at the Ministry of Energy on 24 July 2022 (this adjustment was made to the Partnership's royalty expenses from the date of commencement of the natural gas supply from the Leviathan Reservoir to the date of such adjustment). Royalty expenses totaled approx. $15.1 million in Q3/2023 compared with approx. $17.5 in the same period last year. The decrease derives from the decrease in revenues from natural gas sales in Q3/2023 compared with the same period last year. 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.

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

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

5.40%. On 29 October 2023, notice was received from the Ministry of Energy that the rate of advances on account of the State royalties for revenues from the Leviathan project, will be decreased from 11.26% to 11.06% from the beginning of 2023. Accordingly, the rate of advances on account of the overriding royalties will be decreased to approx. 5.31%[3]. For further details on royalties, see Note 18 to the 2022 Annual Financial Statements (the "**Annual Financial Statements**") and Note 8A to the Financial Statements.

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

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

	For the nine-month period ended 30 September		For the three-month period ended 30 September		For the year ended 31 December
	2023	2022	2023	2022	2022
	BCM				
Israel	1.31	2.92	0.37	1.18	3.77
Jordan	2.03	2.00	0.80	0.70	2.71
Egypt	4.88	3.62	1.72	1.14	4.90
Total	**8.22**	**8.54**	**2.89**	**3.02**	**11.38**

Despite the War, and until the date of approval of the Financial Statements, production from the Leviathan reservoir is continuing as usual. During the period of shutdown of the Tamar platform and the EMG pipeline, which led to a reduction of the quantities allocated for export, transmission of gas to Egypt via the Jordanian transmission system (instead of the EMG pipeline), and the supply of gas to customers of the Tamar reservoir in the domestic market, until the date of approval of the Financial Statements, the Partnership's revenues and profitability were not materially impacted. In the Partnership's estimation, in view of the Ministry of Energy's notice of 9 November 2023 regarding resumption of the piping from the Tamar reservoir and given resumption of transmission via the EMG pipeline on 14 November 2023, and assuming that the risk factors specified in Note 1E to the Financial Statements, do not materialize, the Partnership's revenues and profitability are not expected to be materially impacted in Q4/2023, and no material change is expected in the discounted cash flow figures as included in the Partnership's immediate report of 19 March 2023 (Ref. no.: 2023-01-023818), the information appearing in which is incorporated herein by reference.

2.1.2 **Cost of natural gas and condensate production** mainly includes expenses of management and operation of the project, including expenses of shipping and transport, salaries, consulting, maintenance, environmental, insurance and the cost of transmission of natural gas to Egypt. The cost of natural gas and condensate production totaled approx. $35.2 million in the Report Period, compared with approx. $31.3 million in the same period last year. The cost of natural gas and condensate production in Q3/2023 totaled approx. $12.5 million compared with approx. $9.0 million in the same period last year. The increase between the periods mainly derives from an increase in transportation and shipping expenses for the transmission of gas to Egypt, which derived from the increase in sales of natural gas to Egypt, which was offset by a decrease in costs of salaries and management of the operation and maintenance expenses.

2.1.3 **Depreciation and amortization expenses** totaled approx. $20.4 million in the Report Period, compared with approx. $22.1 million in the same period last year. In Q3/ 2023, depreciation and amortization expenses totaled approx. $7.2 million, compared with approx. $7.8 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 the decrease in the natural gas quantities sold from the Leviathan Reservoir between the period, and from an update to evaluations of the resources in the Leviathan Reservoir in accordance with the evaluation report on reserves and contingent resources in the Leviathan Leases, updated as of 31 December 2022 (which serves as a basis for calculation of the depreciation rate). For further details, also see Note 4A9 to the Financial Statements.

2.1.4 **Oil and natural gas exploration expenses** in the Report Period totaled approx. $85 thousand, compared with approx. $125 thousand in the same period last year. In Q3/2023, oil and natural gas exploration expenses totaled approx. $4 thousand, compared with approx. $62 thousand in the same period last year.

2.1.5 **G&A expenses** totaled approx. $6.8 million in the Report Period compared with approx. $6.4 million in the same period last year. In Q3/2023, G&A expenses totaled approx. $2.3 million, compared with approx. $1.9 million in the same period last year. These mostly consist of expenses in respect of professional services, payroll expenses and management fees to the General Partner.

2.1.6 **Net financial expenses** totaled approx. $34.3 million in the Report Period, compared with net financial expenses of approx. $27.5 million in the same period last year.
The main changes in the 'net financial expenses' item in the Report Period compared with the same period last year are as follows:

a. 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. $45.4 million, compared with approx. $38.4 million in the same period last year.
b. Exchange rate differentials due to changes in the dollar exchange rate. Total exchange rate differential expenses, due to the increase in the dollar rate during the comparable periods, amounted to approx. $0.3 million in the Report Period compared with income from exchange rate differentials in the sum of approx. $6.9 million in the same period last year. Such income from exchange rate differentials mainly resulted from the Series B Bonds.
c. During the Report Period, the fair value of hedging transactions into which the Partnership entered in the context of its risk management increased by approx. $7.8 million compared with

approx. $7.3 million in the same period last year. For further details, see Note 5A to the Financial Statements and Section 3.1 below.

d. During the Report Period, the fair value of the Partnership's investments in securities decreased by approx. $1.8 million. In the same period last year, expenses from a revaluation of the Partnership's investments in securities totaled approx. $3.7 million.

e. During the Report Period, the Partnership derived interest revenues of approx. $5.5 million in respect of investment in short-term deposits and in respect of an income tax refund arising from the update to the participation unit holders' tax liability for 2021.

Net financial expenses totaled approx. $11.5 million in Q3/2023, compared with net financial expenses of approx. $12.0 million in the same period last year.

It is additionally noted that part of the securities balances in the Partnership's investment portfolio are primarily exposed to changes in the condition of the market and the shekel-dollar exchange rate. Fluctuations in the capital market and the relation between the exchange rates of the shekel and the dollar are taken into account in the management of readily available sources. The effect of these factors is reflected in the 'net financial expenses' item.

2.1.7 **Taxes on income** totaled approx. $33.1 million in the Report Period, compared with approx. $35.7 million in the same period last year. In Q3/2023, income tax expenses totaled approx. $12.2 million compared with approx. $13.1 million in the same period last year.
The decrease derived mainly from the decrease in the profit before tax which was offset mainly by deferred tax update.

2.2 **Current assets** as of 30 September 2023 totaled approx. $210.1 million, compared with a total of approx. $232.9 million as of 31 December 2022.

The Group's current assets as of 30 September 2023 primarily consist of cash and cash equivalents, financial assets at fair value through profit or loss and short-term deposits (partly designated to be used for the purchase of bonds issued by Ratio Financing for the Partnership), in the sum of approx. $120.7 million compared with approx. $146.6 million as of 31 December 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, payment of interest in respect of Series C and Series D Bonds and loans from banking corporations, repayment of Series C Bonds principal, payment in respect of distribution of profit to holders of participation units, payments of tax advances and payment of current expenses.

Furthermore, the Partnership's current assets as of 30 September 2023 include trade receivables in the sum of approx. $75.4 million compared with approx. $65.3 million as of 31 December 2022 for supply of natural gas from the Leviathan Reservoir. The increase in trade receivables between the periods is due to an increase in the volume of export sales from the Leviathan Project.

For details regarding the composition of the Partnership's readily available assets (including the marketable securities' composition) see Notes 4, 5, 6 and 7 to the Annual Financial Statements.

2.3 **Non-current assets** as of 30 September 2023 totaled approx. $897.5 million, compared with approx. $885.6 million as of 31 December 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 a retirement and disposal asset, total approx. $802.0 million as of 30 September 2023, compared with approx. $794.0 million as of 31 December 2022. The change in the Report Period derives mainly from investments in the Leviathan Project in the amount of approx. $24.6 million (most of which in the Leviathan-8 well and investment in a third transmission pipeline). Conversely, the Partnership recorded depreciation and amortization expenses of approx. $16.6 million.

2.3.2 Other long-term assets, net, totaled approx. $69.2 million as of 30 September 2023, compared with approx. $68.2 million as of 31 December 2022. The change in the Report Period derives mainly from: (1) Investment of approx. $2.4 million in FAJR Plus project and Nitzana line project. (2) Increase of approx. $1.7 million in the royalty receivable asset in the Report Period. Conversely, (3) Depreciation expenses of approx. $3.1 million in respect of the other long-term assets in the Report Period.

2.3.3 The Partnership holds 20% of 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 30 September 2023 is approx. $2.6 million compared with approx. $4.2 million as of 31 December 2022.

2.3.4 Derivative financial instruments totaled approx. $7.3 million as of 30 September 2023, compared with $2.8 million as of 31 December 2022. The increase mainly derives from another IRS hedging transaction made during the period. See Note 5A to the Financial Statements.

2.4 **Current liabilities** as of 30 September 2023 total approx. $66.8 million, compared with approx. $108.7 million as of 31 December 2022.

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

2.4.1 Current maturities of bonds totaled approx. $11 million as of 30 September 2023, compared with approx. $72.5 million as of 31

December 2022. The decrease derives from repayment of the last third of the Series C Bonds in August 2023, according to their terms.

2.4.2 Current maturities of long-term loans from banking corporations totaled approx. $18.6 million as of 30 September 2023, in accordance with the conditions of the loans as stated in Note 11A2(C)(3) to the Annual Financial Statements and Note 5A to the Financial Statements.

2.5 **Non-current liabilities** as of 30 September 2023 totaled approx. $645.6 million, compared with approx. $659.4 million as of 31 December 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 30 September 2023 totaled approx. $77.9 million compared with approx. $56.2 million as of 31 December 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. $474.6 million as of 30 September 2023, compared with approx. $510.6 million as of 31 December 2022. The decrease mostly derives from the repayment of $20 million during the period and the classification of approx. $18.6 million under current maturities in accordance with the terms and conditions of the loans, see Section 2.4.2 above.

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**

Partners’ equity totals approx. $395.1 million as of 30 September 2023, compared with approx. $350.4 million as of 31 December 2022. The change derives from comprehensive income of approx. $98.2 million recorded in the Report Period, from revenues deriving from an update to the tax liability of the participation unit holders for 2021 in the sum of approx. $11.5 million for 2021, which was offset by profits declared and distributed in the Report Period in the sum of approx. $65 million.

2.7 **Cash flow**

Net cash flow generated from operating activities totaled approx. $139.2 million in the Report Period, compared with a net cash flow generated from operating activities of approx. $100.7 million in the same period last year. The main increase is due to an increase in trade receivables balance in the amount of approx. $10.1 million in the Report Period compared to a total of approx. $24.8 million in the same period last year, as well as from the sale of financial instruments at fair value through profit or loss in the amount of approx. $10.6 million in the Report Period compared to the purchase of financial instruments at fair value through profit or loss in the amount of approx. $5.1 million in the same period last year, as well as payment of interest for Series C and D Bonds and the banking loan of approx. $41.7 million in the Report Period compared with payment of interest for Series B, C and D Bonds and the banking loan of approx. $49.3 million in the same period last year.

Net cash flow generated from operating activities totaled approx. $37.4 million in Q3/2023, compared with a net cash flow generated from operating activities of approx. $28.1 million in the same period last year. Most of the rise derives from payment of interest for Series C Bonds and the banking loan of approx. $17.3 million in Q3/2023 compared with payment of interest for Series B and C Bonds and the banking loan of approx. $37.1 million in the same period last year, which was offset from an increase in trade receivables balance in the amount of approx. $7.3 million in Q3/2023 compared with a decrease in trade receivables balance of approx. $2.5 million in the same period last year.

According to the Partnership's accounting policy, interest paid and interest received are classified under operating activities in the cash flow statement.

Net cash flow used for investment activities totaled approx. $29.3 million in the Report Period, compared with approx. $61.9 million in the same period last year. Net cash flow generated from investment activities totaled approx. $17 million in Q3/2023, compared with approx. $41.2 million net cash flow used for investment activities in the same period last year. Investment activities mainly consist of investments in the Leviathan Project, in other long-term assets and in short-term deposits. Most of the change between the periods arises from the maturity of or deposits into short-term deposits and of restricted deposits served as a safety cushion for repayment of the bonds.

Net cash flow used for financing activities in the Report Period totaled approx. $133.8 million that were mainly used for the repayment of loans from banking corporations, in the sum of $20 million, repayment of Series C Bonds principal in the sum of approx. $58.9 million and a distribution of profit in the sum of approx. $65 million. Conversely, during the period, tax advances paid for the participation unit holders in the sum of approx. $11.5 million were received as a result of the update to the tax liability for 2021. In the same period last year, cash flow used for financing activities totaled approx. $100.5 million that was used mainly for repayment of Series B and Series C Bonds principal, in the sum of approx. $111.6 million, according to their terms, for distribution of profit in the sum of approx. $25 million and for balancing and tax payments for holders of participation units in the sum of approx. $13.9

million in respect of 2021. Also, financing activities in the same period last year included drawdown of a loan from banking corporations, in the sum of $50 million.

Net cash flow used for financing activities in Q3/2023 totaled approx. $88.9 million that was used for the repayment of Series C Bonds principal in the sum of approx. $58.9 million and distribution of profit in the sum of approx. $30 million. During Q3/2022, net cash flows used for financing activities totaled approx. $86.6 million, which served for repayment of Series B and Series C Bonds principal, in the sum of approx. $111.6 million in accordance with its terms and profit distribution of approx. $25 million. In addition, the financing activities included the drawdown of a loan from banking corporations, in the sum of $50 million.

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 loan from Ratio Financing given against the debt raising in Ratio Financing through the public offering of the Series 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 30 September 2023, the amounts of loans drawn down from the loan facility are $500 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.

30 June 2023 saw the discontinuation of use of the LIBOR interest rate, such that from the date of payment of the interest subsequent to such date, the loan is linked to the Term SOFR interest rate plus a credit margin. This interest rate is a forward-looking periodic interest rate based on the SOFR interest rate.

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[4] (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;
   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 according to which it has enough financing sources to meet its expected liabilities.

Accordingly, as of 30 September 2023, the Partnership' management estimated that in the course of the 12 months following the date of the balance sheet (i.e., by 30 September 2024), it was expected that out of the outstanding loans from banking corporations a sum would be repaid of approx. $18.6 million which are classified in the condensed consolidated statement of financial position under current liabilities, as current maturities of loans from banking corporations.

As of 30 September 2023, the Partnership is compliant with all the aforesaid financial covenants: LCR is 2.08 and DSCR is 5.2.
As of the date of approval of the Financial Statements, the said ratios do not materially differ from the ratios as of 30 September 2023.

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

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

[4] Cash flow from 2P reserves until 31 December 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**").

3.2 Debt raising rounds by Ratio Financing

For details regarding the issue of Series 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.

On 31 August 2023, in accordance with the terms of the Series C Bonds, the last third of the par value Series C Bonds in the sum of approx. $58.9 million was repaid (which is the net amount after offsetting the Partnership's share), and interest was paid in the sum of approx. $5.9 million (which is the net amount after offsetting the Partnership's share) for the Series C Bonds. Accordingly, on that same date, the Partnership paid Ratio Financing the Partnership's obligations to pay the principal and interest for a loan provided to the Partnership by Ratio Financing under conditions identical to the Series C Bonds conditions. With the full redemption of the Series C Bonds, Ratio Financing repaid its full obligations to the holders of the Series C Bonds of Ratio Financing and the Series C Bonds were stricken off from trade on TASE.

As part of a debt reduction process of the Partnership and in accordance with the resolutions of the board of directors of the General Partner, whereby it is possible to purchase bonds of Ratio Financing, insofar as constituting an appropriate business opportunity at that time, in Q1/2023, the Partnership made purchases of 4,659,575 par value Series C Bonds of Ratio Financing (which formed, until the date of redemption of the Series C Bonds, approx. 2.2% of the total issued par value Series C Bonds of Ratio Financing) in consideration for approx. ILS 4.8 million (approx. $1.4 million) and during the months of October and November of 2023, the Partnership made purchases of 3,924,400 par value Series D Bonds of Ratio Financing (which constitutes approx. 1.35% of the total issued par value of the Series D Bonds of Ratio Financing) in exchange for a total of approx. ILS 4.6 million (approx. $1.1 million). The ‘short-term deposits’ item presented in the condensed consolidated statement of financial position is partly intended for the purchase of such bonds.

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. Distributions of profit

4.1 On 28 March 2023, the board of directors of the General Partner approved a distribution of profit in the amount of $35 million with the record date for the distribution being 10 April 2023. Such distribution of profit was carried out on 24 April 2023. Such distribution was added to the (interim) distribution of profit in the total sum of $25 million which was approved on 30 August 2022, based on the Partnership's financial results for 2022.

4.2 On 23 August 2023, the board of directors of the General Partner approved an (interim) distribution of profit in the amount of $30 million, with the record date for the distribution being 31 August 2023. Such distribution of profit was conducted on 14 September 2023.

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

Following macroeconomic developments around the world, 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. As of the report approval date, a moderating trend is evident in the inflationary environment in the U.S. and other countries in the world, with a decrease in the rate of interest rate increases in the various countries.

The increase in the price indices had no effect on the financial 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 financial expenses in respect thereof are not affected by interest rate changes. However, an interest increase affects the Partnership's financial position, primarily the assets and liabilities in the statement of financial position that contain components of capitalization, as well as the Partnership's financial expenses in respect of loans from banking corporations that bear the Term SOFR interest rate which is paid on a quarterly basis. Furthermore, and insofar as the Partnership needs to raise additional debt in the future, this may affect the Partnership's financial expenses.
As part of the Partnership's risk management, and in order to reduce exposure in connection with a possible increase in the Term SOFR interest rate on loans taken thereby, the Partnership has made several hedging transactions. See Note 11A2(e) to the Annual Financial Statements, Note 5A to the Financial Statements and Section 3.1 above.

During the Report Period, the Partnership recorded net interest expenses of approx. $30.1 million in the condensed consolidated statement on comprehensive income, reflecting an average annual TERM SOFR interest rate of approx. 4.27%.

Furthermore, the table below summarizes the possible impact of an increase in the Term SOFR interest rate on the Partnership's interest expenses in respect of loans from banking corporations as of Q4/2023 and until the final repayment date. The analysis is based on the assumption that the calculation of the base interest rate on loans from banking corporations accounts for a fixed Term SOFR interest rate of approx. 5.6444% (the 3-month Term SOFR interest rate determined on 13 October 2023) throughout the remaining term of the loan.

	For the three-months ending 31 Dec.	For the year ending 31 December			
	2023	**2024**	**2025**	**2026**	**2027**
		$ in millions			
Base interest rate	11.4	42.4	38.4	31.8	17.7
0.5 pt increase in base interest rate	11.9	44.1	39.7	32.7	18.0
1 pt increase in base interest rate	12.5	45.8	41.1	33.6	18.3

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. See also Note 1E to the Financial Statements, regarding the possible impact of the 'Iron Swords' war on the Partnership's business.

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 valuated using future interest rates that are based on an observable yield curve.

e. Shekel-dollar exchange rate is the representative rate as of 30 September 2023.

Analysis of sensitivity to market risks

Below is a breakdown of the Partnership's financial instruments as of 30 September 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 financial balances

	30 September 2023			
	In $	In ILS, No Indexation	In ILS, Indexed	Total
	$ in thousands			
Current assets:				
Cash and cash equivalents	51,797	14,550	-	66,347
Financial assets at fair value through profit or loss	9,451	3,253	1,381	14,085
Short-term deposits	40,263	-	-	40,263
Derivative financial instruments	3,962	-	-	3,962
Trade receivables	75,407	-	-	75,407
Joint venture operator	8,471	-	-	8,471
Ratio Trusts Ltd. – the Trustee – Current account	-	247	-	247
Other receivables	31	743	-	774
Total current assets	189,382	18,793	1,381	209,556
Non-current assets:				
Financial assets at fair value through profit or loss	-	2,634	-	2,634
Derivative financial instruments	7,292	-	-	7,292
Other long-term assets, net	7,022	-	-	7,022
Restricted deposits	3,940	2,685	-	6,625
Total non-current assets	18,254	5,319	-	23,573
Current liabilities:				
Trade payables	-	167	-	167
Joint venture payables	16,089	-	-	16,089
Ratio Energies Management Ltd. – General Partner – Current account	921	-	-	921
Others	-	106	-	106
Current maturities of bonds	11,011	-	-	11,011
Current maturities of long-term loans from banking corporations	18,635	-	-	18,635
Interest payable	11,922	-	-	11,922
Expenses payable	3,971	296	-	4,267
Current taxes payable	-	3,693	-	3,693
Total current liabilities	62,549	4,262	-	66,811
Non-current liabilities:				
Bonds	80,139	-	-	80,139
Net loans from banking corporations	474,628	-	-	474,628
Total non-current liabilities	554,767	-	-	554,767

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

Assets and Liabilities	Profit (Loss) from the Change: 10% Increase in Exchange Rate	Profit (Loss) from the Change: 5% Increase in Exchange Rate	Fair Value	Profit (Loss) from the Change: 5% Decrease in Exchange Rate	Profit (Loss) from the Change: 10% Decrease in Exchange Rate
			$ in thousands		
Cash and cash equivalents	(1,323)	(693)	14,550	766	1,617
Financial assets at fair value through profit or loss	(421)	(221)	4,634	244	515
Ratio Trusts	(22)	(12)	247	13	27
Trade and other receivables	(68)	(35)	743	39	83
Financial assets at fair value through profit or loss – investment in Ratio Petroleum	(239)	(125)	2,634	139	293
Restricted deposits	(244)	(128)	2,685	141	298
Trade payables	15	8	(167)	(9)	(19)
Other payables	10	5	(106)	(6)	(12)
Expenses payable	27	14	(296)	(16)	(33)
Current taxes payable	336	176	(3,693)	(194)	(410)
Total	(1,929)	(1,011)	21,231	1,117	2,359

3. Sensitivity to changes in the dollar interest rate

Sensitive Instrument	Profit (Loss) from the Change: 20% Increase in Yield	Profit (Loss) from the Change: 10% Increase in Yield	Profit (Loss) from the Change: 5% Increase in Yield	Fair Value	Profit (Loss) from the Change: 5% Decrease in Yield	Profit (Loss) from the Change: 10% Decrease in Yield	Profit (Loss) from the Change: 20% Decrease in Yield
Series D Bonds	5,372	2,686	1,343	(91,365)	(1,343)	(2,686)	(5,372)
Loans from banking corporations	19,614	9,960	4,844	(529,727)	(4,914)	(9,898)	(19,329)

Sensitive Instrument	Profit (Loss) from the Change: 5% Increase in Interest Rate	Profit (Loss) from the Change: 2% Increase in Interest Rate	Profit (Loss) from the Change: 0.5% Increase in Interest Rate	Fair Value	Profit (Loss) from the Change: 0.5% Decrease in Interest Rate	Profit (Loss) from the Change: 2% Decrease in Interest Rate	Profit (Loss) from the Change: 5% Decrease in Interest Rate
Derivative financial instruments – IRS transaction	27,828	11,922	3,085	11,254	(3,161)	(13,112)	(35,323)

Part C – Disclosure on Various Aspects of Corporate Governance

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

According to Section 10(b)(14) of the Reports Regulations, a corporation which, on the date of release of the Financial Statements, has bond certificates in circulation, shall examine whether it demonstrates warning signs, and if the corporation demonstrates warning signs, it shall attach a projected cash flow disclosure.

As the warning signs listed in the aforementioned section are not demonstrated, no projected cash flow is included herein.

Part D – Disclosure on the Partnership's Financial Reporting

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

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

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

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

   2.2 **<u>Separate financial statements</u>**

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

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

   There was no material change in the Report Period compared with the report in 2022, other than as described in Note 2C to the Financial Statements.

Date: 28 November 2023

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

Chapter C

Financial Statements

Ratio Energies – Limited Partnership

Interim Financial Information

(Unaudited)

30 September 2023

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

30 September 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 30 September 2023 and the Condensed Consolidated Statements of Comprehensive Income, the Changes in the Partners' Equity and the Cash Flows for the nine- and 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 periods in accordance with IAS 34 "Interim Financial Reporting", and they are responsible for the preparation of financial information for such interim periods under Chapter D of the Securities Regulations (Periodic and Immediate Reports), 5730-1970. Our responsibility is to express a conclusion on financial information for such interim periods based on our review.

Scope of Review

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

Conclusion

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

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

Tel Aviv,
28 November 2023

Kesselman & Kesselman
Certified Public Accountants
Member of PricewaterhouseCoopers International Limited

Ratio Energies – Limited Partnership

Condensed Consolidated Statement of Financial Position

as of 30 September 2023

	Note	30 September 2023	30 September 2022	31 December 2022
		(Unaudited)	(Unaudited)	(Audited)
		$ in thousands		
Assets				
Current assets:				
Cash and cash equivalents		66,347	60,665	91,253
Financial assets at fair value through profit or loss		14,085	13,811	24,966
Short-term deposits		40,263	30,033	30,355
Restricted deposits		-	76,031	3,657
Derivative financial instruments		3,962	4,259	5,035
Income taxes receivable		-	3,679	-
Trade and other receivables:				
Trade receivables		75,407	72,711	65,329
Operator of the joint venture		8,471	15,281	10,737
Ratio Trusts Ltd. – the trustee – current account		247	273	269
Other receivables		1,278	1,995	1,304
Total current assets		210,060	278,738	232,905
Non-current assets:				
Financial assets at fair value through profit or loss – investment in Ratio Petroleum		2,634	4,048	4,153
Derivative financial instruments		7,292	3,526	2,849
Other long-term assets, net		69,168	68,847	68,209
Restricted deposits		6,625	6,402	6,507
Fixed assets, net		167	65	104
Investments in oil and natural gas assets, net		811,595	807,593	803,803
Total non-current assets		897,481	890,481	885,625
Total assets		1,107,541	1,169,219	1,118,530
Liabilities and the partners' equity				
Current liabilities:				
Trade and other payables:				
Trade payables		167	39	118
Payables of the joint venture		16,089	17,739	13,277
Ratio Energies Management Ltd. – the GP - current account		921	1,786	1,056
Others		106	1,985	599
Current maturities of bonds		11,011	115,687	72,456
Current maturities of long-term loans from banking corporations		18,635	-	-
Interest payable		11,922	9,921	11,278
Payables		4,267	5,217	6,223
Current taxes receivable		3,693	-	3,685
Total current liabilities		66,811	152,374	108,692
Non-current liabilities:				
Provision for oil and natural gas asset retirement and disposal obligation		12,916	13,089	12,488
Bonds		80,139	90,932	80,139
Loans from banking corporations, net		474,628	539,748	510,627
Deferred taxes		77,935	53,414	56,167
Total non-current liabilities		645,618	697,183	659,421
Total liabilities		712,429	849,557	768,113
Contingent Liabilities and engagements	4,7	-	-	-
Partners' equity		395,112	319,662	350,417
Total liabilities and partners' equity		1,107,541	1,169,219	1,118,530

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: 28 November 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 9- and 3-month periods ended 30 September 2023

	9 months ended 30 September		3 months ended 30 September		Year ended 31 Dec.
	2023	2022	2023	2022	2022
	(Unaudited)				(Audited)
	$ in thousands (other than figures of profit per participation unit)				
Revenues					
From the sale of natural gas	270,752	284,374	94,560	105,845	379,944
Net of royalties	(42,666)	(42,530)	(15,075)	(17,554)	(57,951)
	228,086	241,844	79,485	88,291	321,993
Expenses and costs					
Natural gas and condensate production cost	35,227	31,295	12,534	9,038	42,584
Depreciation and amortization expenses	20,356	22,119	7,176	7,822	29,674
Oil and natural gas exploration expenses	85	125	4	62	131
G&A expenses	6,792	6,356	2,280	1,861	9,545
Total expenses and costs	62,460	59,895	21,994	18,783	81,934
Operating income	165,626	181,949	57,491	69,508	240,059
Financial income	14,033	15,278	5,040	5,461	16,020
Financial expenses	(48,311)	(42,750)	(16,575)	(17,392)	(59,383)
Financial expenses, net	(34,278)	(27,472)	(11,535)	(11,931)	(43,363)
Income before income taxes	131,348	154,477	45,956	57,577	196,696
Income taxes	(33,131)	(35,686)	(12,160)	(13,137)	(47,150)
Net income for the period	98,217	118,791	33,796	44,440	149,546
Basic and diluted profit per participation unit (in $)	0.087	0.106	0.030	0.040	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 9- and 3-month periods ended 30 September 2023

	Equity of the Partnership	Capital Reserve from Control Holders	Profit (loss) Balance	Total Equity
		$ in thousands		
Balance as of 31 December 2022 (audited)	318,864	1,101	30,452	350,417
Movement in the 9 months ended 30 September 2023 (unaudited):				
Profits distributed	-	-	(65,000)	(65,000)
Tax advances receivable for previous years	-	-	11,478	11,478
Net income for the period	-	-	98,217	98,217
Balance as of 30 September 2023 (unaudited)	318,864	1,101	75,147	395,112
Balance as of 31 December 2021 (audited)	318,864	1,101	(94,097)	225,868
Movement in the 9 months ended 30 September 2022 (unaudited):				
Profits distributed	-	-	(24,997)	(24,997)
Net income for the period	-	-	118,791	118,791
Balance as of 30 September 2022 (unaudited)	318,864	1,101	(303)	319,662
Balance as of 30 June 2023 (unaudited)	318,864	1,101	71,350	391,315
Movement in the 3 months ended 30 September 2023 (unaudited):				
Profits distributed	-	-	(29,999)	(29,999)
Net income for the period	-	-	33,796	33,796
Balance as of 30 September 2023 (unaudited)	318,864	1,101	75,147	395,112
Balance as of 30 June 2022 (unaudited)	318,864	1,101	(19,746)	300,219
Movement in the 3 months ended 30 September 2022 (unaudited):				
Profits distributed	-	-	(24,997)	(24,997)
Net income for the period	-	-	44,440	44,440
Balance as of 30 September 2022 (unaudited)	318,864	1,101	(303)	319,662
Balance as of 31 December 2021 (audited)	318,864	1,101	(94,097)	225,868
Movement during 2022 (audited):				
Profits distributed	-	-	(24,997)	(24,997)
Net income for the year	-	-	149,546	149,546
Balance as of 31 December 2022 (audited)	318,864	1,101	30,452	350,417

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

Ratio Energies – Limited Partnership

Condensed Consolidated Statement of Cash Flows

for the 9- and 3-month periods ended 30 September 2023

(Cont.) – 1

	9 months ended 30 September		3 months ended 30 September		Year ended 31 December
	2023	2022	2023	2022	2022
	(Unaudited)				(Audited)
	$ in thousands				
Cash flows from operating activities:					
Net cash derived from operations, see Annex A	136,710	99,955	36,367	27,722	150,108
Interest received	2,426	725	1,020	405	1,232
Dividend received	71	44	24	18	58
Total net cash deriving from operating activities	139,207	100,724	37,411	28,145	151,398
Cash flows from investment activities:					
Repayment (deposit) of short-term deposits, net	(8,095)	10,245	21,201	9,778	9,932
Repayment (deposit) of restricted deposits	3,273	(44,005)	3,381	(43,861)	28,369
Investment in other assets	(1,097)	(10,013)	(787)	(3,100)	(9,122)
Purchase of fixed assets	(86)	(20)	(26)	(7)	(64)
Investment in oil and natural gas assets	(23,258)	(18,062)	(6,781)	(4,026)	(28,470)
Total net cash derived from (used for) investment activities	(29,263)	(61,855)	16,988	(41,216)	645
Cash flows from financing activities:					
Loans (repayment of loans) from banking corporations, net	(20,000)	50,000	-	50,000	20,000
Repayment of Series B and C bond principal	(58,940)	(111,600)	(58,940)	(111,600)	(111,600)
Tax advances and balancing payments received (paid) for participation unit holders for 2021	11,478	(13,920)	-	-	(13,920)
Profits distributed	(65,000)	(24,997)	(29,999)	(24,997)	(24,997)
Prepayment of Series B Bonds, net	-	-	-	-	(53,107)
Purchase of Series C Bonds, net	(1,356)	-	-	-	-
Total net cash used for financing activities	(133,818)	(100,517)	(88,939)	(86,597)	(183,624)
Decrease in cash and cash equivalents	(23,874)	(61,648)	(34,540)	(99,668)	(31,581)
Balance of cash and cash equivalents at the beginning of the period	91,253	125,383	101,259	161,393	125,383
Losses from exchange rate differences on cash and cash equivalents	(1,032)	(3,070)	(372)	(1,060)	(2,549)
Balance of cash and cash equivalents at the end of the period	66,347	60,665	66,347	60,665	91,253

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 9- and 3-month periods ended 30 September 2023

(End) – 2

	9 months ended 30 September		3 months ended 30 September		Year ended 31 December
	2023	2022	2023	2022	2022
	(Unaudited)				(Audited)
	$ in thousands				
(A) Annex to the condensed consolidated report on cash flows -					
Net cash derived from operations:					
Net income for the period	98,217	118,791	33,796	44,440	149,546
Adjustments for:					
Interest and dividend revenues	(4,308)	(769)	(1,645)	(423)	(1,290)
Depreciation and amortization	20,356	22,278	7,176	7,820	29,674
Profit from change in the fair value of derivative financial assets	(3,370)	(7,261)	(1,484)	(4,999)	(7,360)
Losses from exchange rate differences on cash and cash equivalents	1,032	3,070	372	1,060	2,546
Income taxes	21,776	25,012	8,153	2,463	35,129
Expenses (revenues) of exchange rate differences in respect of restricted deposits	266	175	33	(1,046)	61
Interest and discount in respect of loans from banking corporations	4,003	5,299	1,336	2,697	8,054
Exchange rate differences, discount and interest on bonds	(1,872)	(30,516)	(3,941)	(24,464)	(31,951)
Provision for oil and gas asset retirement and disposal obligation	431	255	147	85	342
Loss from change in the fair value of financial instruments – fair value through profit or loss	1,756	3,745	1,231	614	3,409
	138,287	140,079	45,174	28,247	188,160
Changes in operating asset and liability items:					
Decrease (increase) in trade and other receivables:					
Trade receivables	(10,078)	(24,770)	(7,272)	2,473	(17,388)
Sale (purchase) of financial assets at fair value through profit or loss, net	10,644	(5,119)	(250)	(260)	(16,043)
Purchase of derivative financial instruments	-	(524)	-	-	(524)
Change in balance with Ratio Trusts Ltd.	22	65	9	4	69
Royalty rate calculation differences	(1,657)	(4,861)	114	(85)	(5,365)
Other	26	(589)	503	519	102
Increase (decrease) in trade and other payables:					
Trade payables	49	(5)	(35)	(198)	74
Payables of the joint venture	(190)	1,355	(317)	2,043	4,025
Payables and other payables	(1,956)	305	(688)	(260)	1,311
Other	(493)	1,893	(521)	1,893	507
Change in balance with joint venture operator	2,266	(10,487)	(57)	(7,935)	(6,687)
Change in balance with Ratio Energies Management Ltd. – the GP	(210)	2,613	(293)	1,281	1,867
	(1,577)	(40,124)	(8,807)	(525)	(38,052)
Net cash derived from operations	136,710	99,955	36,367	27,722	150,108
(B) Information on non-cash activities:					
Investment in oil and natural gas assets against liability	9,009	15,914	(534)	3,599	7,282
Investments in other long-term assets against liability	1,275	(2,484)	754	(2,096)	(1,740)
Oil and gas asset retirement obligation against oil and natural gas assets	(3)	(7,948)	(1,222)	(1,614)	(8,636)
(C) Interest paid	41,705	49,316	17,244	37,064	62,353
(D) Taxes paid	10,938	-	4,007	-	12,532

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

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 partners in the Leviathan Project are: NewMed Energy – Limited Partnership that holds 45.34%, Chevron Mediterranean Ltd. ("**Chevron**" or the "**Operator**") that holds 39.66% and Ratio that holds 15% of the Leviathan Project.

B. The Partnership's income in the report period from the sale of natural gas is affected mainly by the demand for natural gas, by the production and transmission capacity and the natural gas price which is partially linked to the Brent oil barrel prices.

Set forth below is the Partnership's share in the revenues and in the quantities of natural gas sold to the export markets and the domestic market in the report period:

	9 months ended 30 September		3 months ended 30 September		Year ended 31 December
	2023	2022	2023	2022	2022
	(unaudited)				(audited)
Revenues (in millions of $)					
Export Markets	235.4	211.0	84.5	73.8	284.2
Domestic market	35.4	73.4	10.1	32.0	95.7
	270.8	284.4	94.6	105.8	379.9
Quantities (BCM)*					
Export Markets	1.03	0.84	0.37	0.27	1.14
Domestic market	0.20	0.44	0.06	0.18	0.57
	1.23	1.28	0.43	0.45	1.71

* 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 20 January 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) issued thereby, in escrow for the unitholders. The GP and the LP hold 0.01% and 99.99% of the Partnership's equity, respectively.

Note 1 – General (Cont.):

D. As of 30 September 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. (formerly – Ratio Oil Exploration (Financing) Ltd.) ("**Ratio Financing**"), a special-purpose bond company (SPC) whose objects are: (1) raising debt and everything entailed thereby; (2) providing loans to the Partnership to be used by the Partnership to finance its share in the expenses in connection with the Leviathan Leases; (3) performing any and all actions entailed by the foregoing activity. Ratio Financing's bonds are traded on the TASE.
Ratio Financing's results are consolidated in the Partnership's financial statements.

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

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

3) The Partnership holds 15% of the issued and paid-up share capital of NBL Jordan Marketing Ltd. (the "**Marketing Company**"), a private company registered in the Cayman Islands, owned by the Leviathan partners, which hold it proportionately to the rate of their holdings in the Leviathan Project. The Marketing Company was established for the purpose of engagement in an agreement for the export of natural gas from the Leviathan Project to The Jordanian National Electric Power Company ("**NEPCO**").
As of 30 September 2023, the activity of the Marketing Company has no significant impact on the Partnership's financial results.

4) The Partnership holds 15% of the issued and paid-up share capital of Leviathan Transmission System Ltd., a private company held by the Leviathan partners, which hold it proportionately to the rate of their holdings in the Leviathan Project, for the purpose of receipt of a natural gas transmission license from the production platform of the Leviathan Project to the northern entry point to the national transmission system of Israel Natural Gas Lines Ltd. ("**INGL**").
Leviathan Transmission System Ltd. holds the transmission license and its activity does not affect the Partnership's financial results.
The Marketing Company and Leviathan Transmission System Ltd. are accounted for by using the equity method.

Note 1 – General (Cont.):

E. The Iron Swords war

In October 2023, the "Iron Swords" war (the "**War**") broke out in the State of Israel. The War began with a deadly terror attack on communities in the south of Israel, and since then, thousands of rockets have been fired from the Gaza Strip mainly into the south and center of the State of Israel. At the same time, as the fighting has progressed, the terrorist organization 'Hezbollah' has escalated the tension on the Israeli northern border and initiated combat operations against Israel. Consequently, and in view of the possibility of escalation of the War on the northern border and other fronts, the IDF mobilized hundreds of thousands of reservists, communities located close to the frontlines on the southern and northern borders of Israel were evacuated, and the Home Front Command is periodically issuing current instructions limiting the activity of workplaces and educational institutions. As of the date of approval of the financial statements, the War is ongoing and it is impossible to predict how long it will last or its impact on the Partnership.

1. As a result of the War, in October 2023, the credit rating agencies Moody's and Fitch announced that they were considering a possible downgrade of the credit rating of the State of Israel. S&P Global Rating also announced a downgrade of the State of Israel's credit rating outlook from stable to negative, while leaving the existing credit rating unchanged.

2. To the best of the Partnership's knowledge, shortly after the outbreak of the War and until 13 November 2023, gas production from the Tamar reservoir was discontinued according to the Ministry of Energy's order. No such order was given for the Leviathan and Karish reservoirs, and as of the date of approval of the financial statements, production from the Leviathan Reservoir has been and is continuing as usual. As a result of such discontinuation of production from the Tamar reservoir and until the resumption thereof, the Leviathan partners supplied natural gas to a number of customers of the Tamar reservoir in the domestic market, mainly to the Israel Electric Corporation Ltd., and as a result, the amount of natural gas allocated for export to Egypt was reduced, such that the gas quantity supplied to Egypt in October was ~82% of the contract quantity of gas that the Leviathan partners are obligated to supply. As far as the Partnership knows, in November 2023 and until the date of approval of the financial statements, the contract quantity of gas that the Leviathan partners are obligated to supply was supplied to Egypt. At the same time, due to the War, the activity of the EMG pipeline, which is a main transmission infrastructure for the piping of gas from Israel to Egypt, was halted, and its operation was resumed on 14 November 2023. As a result, all gas supplies to Egypt during such time was piped through the Jordanian transmission system, which entails additional transmission costs. The aforesaid changes are not expected to have a significant impact on the Partnership's results.

3. The natural gas platforms in Israel, the onshore and offshore production and transmission facilities, and other essential infrastructure systems in Israel and in the export countries may constitute targets for missile fire and/or terror attacks and/or cyberattacks, and damage thereto, if any, may cause extremely significant damage, and disrupt or disable the production and/or transmission activity for an unknown period of time and to an extent that may be significant. In such cases, it is possible that the insurance policies purchased by Chevron Mediterranean Limited ("**Chevron**"), and the Partnership will not suffice to cover the damage and losses caused to the Partnership.

Note 1 – General (Cont.):

In this context it is noted that there is a risk that on the date of the renewal of the insurance policies, mainly in connection with war and terrorism, it will not be possible to purchase appropriate policies under reasonable commercial terms and conditions or at all. Another risk from War is damage to the terminals for condensate, which is a by-product of the natural gas production. The risk of such incidents may significantly increase in the event of expansion of the War to additional fronts. In the event of expansion of the War as aforesaid, there may also be greater risk that the Government will impose restrictions on regular production from the Leviathan Reservoir and/or the Karish reservoir and/or the Tamar reservoir. Any limiting or halting of production from the Karish and/or Tamar reservoirs, is expected to obligate the Leviathan partners to increase the quantities supplied to the domestic market at the expense of exports to Egypt.

4. In view of the continuance of the War, there is a greater geopolitical risk in connection with the export of natural gas from the Leviathan Reservoir, which constituted most of the Partnership's revenues in the first three quarters of 2023. However, since the outbreak of the War, export of gas from the Leviathan Reservoir has continued.

5. As of the date of approval of the financial statements, the Leviathan partners continue to promote the third pipeline project which mainly involves laying a third subsea transmission pipeline from the production wells in the Leviathan field to the platform (the “**Third Pipeline Project**”), as specified in Note 4A4 below, as well as the other activities and in accordance with the work plans. Due to the outbreak of the War, the work of INGL on the laying of the Ashdod-Ashkelon offshore pipeline has been suspended, leading to another expected postponement of the scheduled date of completion of this project. See Note 4A2 below. In addition, as a result of the War, a delay is expected in commencement of the piping of the condensate to Paz Ashdod Refinery Ltd. via the pipeline of Energy Infrastructures Ltd. (“**PEI**"). For further details, see Note 4A3 below.

6. As of the date of approval of the financial statements, the Partnership does not expect a material impact of the War on its financial soundness and its ability to pay its liabilities in the foreseeable period. The Partnership further estimates that it can raise additional debt as required. However, in view of the continuance of the War and insofar as risk factors materialize, such as premature termination of the export agreements and/or unrepaired physical damage to the Leviathan Project, the Partnership may incur damage which will have a material adverse effect on the Partnership's ability to pay its liabilities and/or raise additional debt. In the Partnership’s estimation, assuming that the risk factors specified above and below do not materialize, the Partnership’s revenues and profitability are not expected to be materially impacted in Q4/2023.

7. Despite the War, until the date of approval of the financial statements, production from the Leviathan Reservoir is continuing as usual. During the period of shutdown of the Tamar reservoir and the EMG pipeline (which led to a reduction of the quantities allocated for export, transmission of gas to Egypt via the Jordanian transmission system (instead of the EMG pipeline), and the supply of gas to customers of the Tamar reservoir in the domestic market, as specified in Section 3 above), and until the date of approval of the financial statements, the Partnership’s revenues and profitability were not materially impacted.

Note 1 – General (Cont.):

8. As of the date of approval of the financial statements, significant uncertainty exists, making it impossible to estimate how the War will develop and whether it will expand to additional fronts, how long the War will last, its results and its repercussions on the Partnership's business and results. Under these circumstances, it is impossible to estimate the chances of materialization of the risk factors arising from the War and their possible effect, including the specific risk factors detailed above, whose materialization could have a material adverse effect on the Partnership, its assets and its business.

The Partnership's aforesaid estimates, including in relation to the potential impact of the War on the Partnership, may not materialize, in whole or in part, or may materialize differently, including significantly differently than expected, mainly due to the considerable uncertainty at this time, including with respect to the War's duration, scope, and its repercussions for the Israeli economy, and also due to the occurrence of events beyond the Partnership's control.

F. 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 view 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 as well as to increase demand for liquefied natural gas (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 as specified in Note 4A5 and 4A6 below.

G. 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 30 September 2023 and for the 9- and 3-month interim periods then ended (the "**Interim Financial Information**") was prepared in accordance with IAS 34 "Interim Financial Reporting" ("**IAS-34**") and in accordance with the Securities Regulations (Periodic and Immediate Reports), 5730-1970.

The Interim Financial Information does not include all of the information and disclosures required in annual financial statements. The Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 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.

B. Estimates and judgements

The preparation of interim financial statements requires the Group's management to exercise judgement 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 judgements 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.

In addition, see Note 1E and 1F above regarding the impact of the Iron Swords war and the Russia-Ukraine war on the Group.

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

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

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

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.

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

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.

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 1 January 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 to IAS 8, the amendment was applied prospectively commencing on 1 January 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 relevant to the Group that were not presented in the Group's Annual Financial Statements.

Note 4 – Investments in Oil and Natural Gas Assets

A. Developments in the Leviathan Leases

1. 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, during Q2/2023, the connection and completion of the well to the existing subsea production system of the Leviathan Project were completed, and in June 2023 a regular production from the well has begun according to the timetables and on budget. The costs of the drilling, as of the date of the financial statements, totaled approx. $191.6 million (100%, the Partnership's share – approx. $28.8 million).

2. Further to Note 25C5(l) to the Annual Financial Statements regarding the engagement with INGL for the construction of the Ashdod-Ashkelon combined section, on 26 February 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. In October 2023, Chevron updated the Leviathan partners that INGL had informed it that, due to the War, work on the project had been suspended and that the expected date for flow commencement is about four months from the date of resumption of work. To the best of the Partnership's knowledge, as of the date of approval of the financial statements, work has not yet resumed and therefore there is uncertainty as to such project's estimated termination date and total cost.

3. 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 18 January 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:

   a. The Sellers undertook to supply to PAR the condensate produced from the Leviathan Reservoir, which will be transported through systems of PEI.

   b. 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.

   c. 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 due to the War such Flow Commencement Date of the condensate in the pipeline will be postponed to Q1/2024, subject to fulfillment of the closing conditions in the transportation agreement.

   d. 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.

4. Further to Note 8C5 to the Annual Financial Statements regarding the Third Pipeline Project, which will make it possible to increase the maximum capacity for gas supply from the Leviathan Project to the INGL transmission system from ~1.2 BCF/d to ~1.4 BCF/d, starting from mid 2025, on 29 June 2023, the partners in the Leviathan Project adopted an FID (Final investment Decision) to perform the Third Pipeline Project, with a total budget of approx. $568 million (100%, the Partnership's share – approx. $85 million).

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

5. Further to Note 8C5 to the Annual Financial Statements regarding Phase I – Second Stage of the Leviathan Project development plan, on 21 June 2023, the partners in the Leviathan Project submitted an application to the Petroleum Commissioner in the Ministry of Energy and Infrastructures (the "**Petroleum Commissioner**") for approval of the export of natural gas from the Leviathan Project via an existing and future regional pipeline (the "**Application**"). As of the date of approval of the financial statements, no response to the Application has yet been received from the Ministry of Energy and Infrastructure and there is no certainty that the Application will be granted, and if it is granted, under what terms and conditions.

   As of the date of approval of the financial statements, the Pre-FEED stage for expansion of the Leviathan Reservoir's production system has been completed, including the planning of subsea infrastructures and of required facilities on the production platform. The Leviathan partners intend to proceed to performance of FEED for purposes of increasing the quantities of natural gas for export via existing and future infrastructures (as specified in section 6 below) to the domestic and regional markets.

   During the performance of Pre-FEED for the FLNG facility (the "**Facility**"), indications emerged of a material change in the cost estimation for building the Facility, and therefore the Leviathan partners intend to review the economic implications of the decision on the FEED stage.

6. Further to Note 25G2 to the Annual Financial Statements, regarding the Leviathan partners' consideration of investments in onshore infrastructure facilities, for the purpose of transmitting additional quantities of natural gas to customers in the regional markets, including the export of natural gas through the Jordan Valley terminal ("**Jordan North**") and through a new onshore connection that INGL is planning to build between the Israeli transmission system and Egypt in the Nitzana area, which includes, *inter alia*, the construction of a compressor station near Ramat Hovav and a pipeline section from this area to the Egyptian border in Pithat Nitzana (the "**Nitzana Pipeline**"), as of the date of approval of financial statements, the Leviathan partners approved additional preliminary budgets prior to making final investments decisions (FID), if any, as follows:

   a. The "FAJR Plus Project" - A budget for technical design and preliminary procurement in the sum of approx. $37.5 million (100%, the Partnership's share –approx. $5.6 million) for the construction of a compressor station and further related work on the Jordanian side, to increase the total capacity of export from Jordan North to Egypt, according to Chevron's estimate, from ~6.5 BCM to ~10.5 BCM.

   b. The "Nitzana Pipeline Project" - A budget for technical design and preliminary procurement in the sum of approx. $14.5 million (100%, the Partnership's share – approx. $2.2 million) for the Nitzana Pipeline which is expected, according to Chevron's estimate, to increase the total capacity of natural gas export from Israel to Egypt by another ~6 BCM.

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

7. On 2 May 2023, the Ministry of Energy published for public comment 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. The Leviathan partners transferred their comments on the Draft Policy to the Ministry of Energy. To the extent that the requirements in the Draft Policy are approved, this is expected to increase the decommissioning costs in the Partnership's assets. As of the date of approval of the financial statements, the Partnership continues to examine the provisions of the Draft Policy and its effect on the volume of the decommissioning costs as aforesaid, if applied.

8. Further to Note 25C3 to the Annual Financial Statements, regarding an agreement for the sale of natural gas to NEPCO, on 3 July 2023, the parties to the agreement agreed on an increase in the natural gas quantities to be supplied to NEPCO on a firm basis, temporarily, in relation to several months in 2023-2024, and that the minimum annual quantity that NEPCO undertook to take or pay for (Take or Pay) during 2023-2024 will increase accordingly. For the avoidance of doubt, it is clarified that the aforesaid does not change the total supply volume under the said export agreement (approx. 45 BCM).

9. **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 31 December 2022 (the "**Reserves and Resources Report**").

   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 to be produced through the Leviathan Project's facilities, including the Third Pipeline project's facilities, is classified 'on production', 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.

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

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 IA	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 10 below with respect to uncertainty in reserves and contingent resources evaluation of natural gas and condensate.

10. **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. 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 4 – Investments in Oil and Natural Gas Assets: (Cont.)

B. On 16 July 2023, the Partnership submitted an offer, together with ENI East Med BV ("**ENI**"), which was defined as the operator and DANA PETROLEUM (East Med) LIMITED ("**DANA PETROLEUM**"), in the framework of a fourth competitive process for receipt of licenses for natural gas exploration in Israeli waters which was published in December 2022 by the Ministry of Energy (the "**Tender**"). On 29 October 2023, the Partnership received a notice from the Petroleum Commissioner that the Partnership, together with its partners, won the Tender for six offshore exploration licenses in one zone, Zone G - which includes licenses 27, 28, 36, 37, 70, 74 (collectively: the "**Licenses**").

The notice stated that after the completion of several actions by the Partnership and its partners, which include, *inter alia*, the provision of guarantees in accordance with the terms of the Tender and the payment of a signing bonus, the Petroleum Commissioner will act to grant the Licenses in accordance with the terms of the Tender.
On 20 November 2023, the Partnership published an immediate report for the convening of a general meeting of the holders of the participation units on 12 December 2023 whose agenda includes, among other things, a proposed resolution to amend section 5.1 of the LPA and to add the Licenses to the list of projects in which the Partnership may participate. Further details regarding the Licenses, including the partners' holdings in the Licenses are provided in the notice of meeting report.

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 30 September 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 30 September 2023, a loan amount of $500 million was drawn down from the loan facility. See Note 9C below for details on the fair value of the loan.

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

Further to Note 11A2(d) to the Annual Financial Statements regarding an amendment to the loan agreement of 1 August 2022, use of the LIBOR interest rate was terminated on 30 June 2023, such that as of the next following interest payment date, the loan is linked to the TERM SOFR interest which is published by an authorized body, the CME GROUP (Chicago Mercantile Exchange) plus a credit margin. This loan is a forward-looking periodic interest which is based on the SOFR interest. The amendment to the loan agreement pertains to the applicability of the practical exemption given in stage 2 of the IASB project, which provides relaxations in connection with the reform for replacement of the benchmark interest rates for financial assets and liabilities which are measured at reduced cost, allowing to treat the change of basis for calculation of the contractual cash flows by way of update of the effective interest rate, such that entities are not required to apply write-off accounting.

Further to Note 11A2(e) to the Annual Financial Statements, regarding hedging transactions entered into by the Partnership in connection with the TERM SOFR interest:

1. In May 2023, the Partnership entered into an IRS hedging transaction in the sum of $100 million starting from 16 January 2024 until 15 July 2027. The interest rate is fixed at 2.917% rather than variable (TERM SOFR interest). (The hedging transaction was made through Leviathan Development, which provides the loan to the Partnership on back-to-back terms).

2. In July 2023, the CAP options for the hedging of $150 million, which were purchased by the Partnership in Q1/2022, expired.

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 30 September 2023, the Partnership's management estimated that in the course of the 12 months following the balance sheet date (i.e., by 30 September 2024), out of the outstanding loans from banking corporations, repayment is expected of the principal of approx. $18.6 million which are classified under current liabilities in the Condensed Consolidated Statement of Financial Position, under 'current maturities of long-term loans from banking corporations'.

In addition, in accordance with the mechanism described in the agreement, starting from 15 October 2023, the Partnership is required deposit a short-term deposit in the amount of the expected principal repayment amount, according to the terms of the loan, plus the interest payments expected to be paid in the six-month period following such date. Accordingly, on 17 October 2023, the Partnership deposited an amount of approx. $25 million in a short-term deposit.

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

B. Bonds

1. On 31 August 2023, in accordance with the terms of Ratio Financing's Series C Bonds, the last third of the nominal value of the said bonds was repaid, in the sum of approx. $58.9 million (which is the amount net of the Partnership's share, see Section 2 below). Also, interest was paid in the amount of approx. $5.9 million (which is the amount net of the Partnership's share, see Section 2 below) in respect of the Series C Bonds. Accordingly, on the same day, the Partnership paid Ratio Financing the Partnership's undertakings to pay the principal and the interest for the loan provided to the Partnership by Ratio Financing under conditions identical to those of the Series C Bonds.

   In order to complete such full redemption of the Series C Bonds on 31 August 2023, and as approved by the trustee for the Series C Bonds, Ratio Financing made use of the funds deposited in the interest cushion account as defined in section 7.5 of the trust deed of the Series C Bonds, which were deposited in accordance with the provisions of the trust deed.

   Upon the full redemption of the Series C Bonds, Ratio Financing repaid all of its undertakings to the holders of the Series C Bonds and such bonds were delisted from the TASE.

2. As part of the process of reducing the Partnership's debts, and in accordance with the resolution of the GP's board of 28 March 2023 whereby it is possible to purchase bonds (series C and D) 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), during Q1/2023, the Partnership purchased par value 4,659,575 of Series C Bonds of Ratio Financing (which constituted until the date of redemption of the Series C Bonds, 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).

   On 19 October 2023, the aforesaid resolution was updated, and the GP's board approved the purchase of Series D Bonds of Ratio Financing, insofar as the same shall constitute a good business opportunity at such time, up to a total par value amount of ILS 150 million. The Series D Bonds purchased and to be purchased by the Partnership (if any), according to the aforesaid board resolution, will not be offered for sale on or off the stock exchange. During October and November 2023, the Partnership purchased 3,924,400 par value Series D Bonds of Ratio Financing (which constitute ~1.35% of the total issued par value of the Series D Bonds of Ratio Financing) in consideration for a total of approx. ILS 4.6 million (approx. $1.1 million).
   The 'short-term deposits' item presented in the Condensed Consolidated Statement of Financial Position is partly intended for the purchase of such bonds.

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:

	9 months ended 30 September		3 months ended 30 September		Year ended 31 December
	2023	2022	2023	2022	2022
	(Unaudited)				(Audited)
	$ in thousand				
Operator fees to the GP	855	855	285	285	1,140
Geological advice	48	108	-	36	144
Overriding royalties	13,838	15,370	4,890	7,270	18,795
Director fees and related expenses	252	316	65	83	466
Fees to and expenses of the LP, the trustee	1.5	1.5	0.5	0.5	2

Short-term deposits in the Condensed Consolidated Statement of Financial Position are partly used for the purchase of bonds of Ratio Financing, for the Partnership, in accordance with the resolution of the GP's board. See also Note 5B2 above.

Note 7 – Contingent Liabilities

Legal Proceedings

A. Motion for class certification – Sapir v. Ratio Oil Exploration (1992) Limited Partnership

Further to Note 25D2 to the Annual Financial Statements regarding a motion for class certification filed by a holder of participation units (the "**Petitioner**"), a complaint and a motion for class certification thereof regarding an alleged breach of the duty of disclosure regarding the agreement with Dolphinus Holdings Limited (now Blue Ocean), in June 2023 a first trial hearing was held, in which the Petitioner's witnesses were cross-examined. In October 2023, the parties informed the court that they had reached in-principle agreements regarding a settlement outline which is expected to obviate the hearing between the parties, subject to its finalization as a full and signed settlement agreement. The court ordered the parties to file the settlement agreement for review by 14 December 2023.

In view of the above and in accordance with the outline discussed by the parties, the Partnership estimates at this stage that the case is most likely to end in a settlement under which the Partnership will pay a sum total of NIS 200,000.

B. 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 27 April 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 C 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 25D4 to the Annual Financial Statements, regarding the consolidation of the hearings in the Fields company claim with the Fields partnership claim, during the pretrial hearing that was held in May 2023, 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.

On 6 November 2023, in view of the security situation in Israel, the parties filed an agreed motion to change some of the dates of the trial hearings and to approve an agreed stipulation for witness cross-examinations. In a decision dated 8 November 2023, the court accepted the stipulation and scheduled four trial hearings during December 2023 and January 2024.

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.

Note 7 – Contingent Liabilities (Cont.):

C. 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.

In May 2023, the Partnership filed a motion with the court to schedule time frames for filing the parties' closing statements. Since no decision was given on the said motion, the Partnership filed several repeated motions to issue a decision. Despite the aforesaid, no decision has yet been issued on such motion.

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.

D. Proceedings against the Operator in the Leviathan Project in connection with the Leviathan platform’s activity

1. Further to Note 25D8(a) to the Annual Financial Statements regarding a class certification motion which was filed by a resident of the Dor Beach area on behalf of “anyone who was exposed to the air, marine and coastal pollution due to prohibited emissions from the gas platform which is operated by the respondents in the sea, located offshore Dor Beach, and treats the Leviathan natural gas reservoir, in the period from commencement of the platform’s activity in December 2019 until a judgment is issued in the claim”, in July 2023, the petitioner’s closing statements were filed. The date for filing the Operator’s closing statements was postponed until after the end of the emergency situation declared in Isarel due to the War.

   The lawyers representing Chevron estimate that the chances of the certification motion being granted are lower than 50%.

2. 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 3 April 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 filed an answer to the motion for summary dismissal, rejecting the claims asserted therein. On 21 June 2023, the court denied the motion for summary dismissal and ruled that the hearing of the claim will proceed. In addition, the court awarded costs against Haifa Port for filing the motion. Despite the attempt to reach agreements, the parties filed mutual motions regarding the preliminary proceedings. The parties filed answers to these motions and they were heard in a pretrial in June 2023. In July 2023, the court dismissed the motions filed by the parties and decided that no party is required to file supplementations in the context of the preliminary proceedings. The last pretrial hearing was scheduled for 24 January 2024, after the filing of affidavits in lieu of direct testimony.

Note 7 – Contingent Liabilities (Cont.):

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.

3. Further to Note 25D8(c) to the Annual Financial Statements regarding an administrative petition filed by Haifa Port against the Tax Authority and against the Operator under Section 17 of the Freedom of Information Law, 5758-1988, on 28 September 2023 the petition was dismissed with an award against the port of the costs of the Operator and the State in the sum of ILS 20,000 each. The judgement states that the information requested by Haifa Port is "information which is non-disclosable according to any law" which is subject to absolute confidentiality, does not fall under the "filters" set forth in the law, and for which the court has no discretion to order its disclosure.

4. Further Note 25D8(f) to the Annual Financial Statements regarding a hearing that was held before the MoEP for non-compliance with the terms and conditions of the Leviathan Project's sea discharge permit and violation of the Prevention of Sea Pollution from Land-Based Sources Law, 5748-1988 (the "**Sea Pollution Prevention Law**"), on 2 August 2023 the Operator received a notice from the MoEP of its intention to impose a financial penalty in the sum of approx. ILS 2.9 million (approx. 0.8 million) (100%, the Partnership's share – ILS 0.4 million (approx. $0.1 million)) due to such violation, following the hearing that was held on 6 January 2022.

   The Operator filed its response to the notice on 3 September 2023. At this stage it is not possible to estimate the chances of reductions in the financial penalty or cancelation of some of actual penalty components.

   In addition, on 6 August 2023, the Operator received letters of notice and summons to a hearing before the MoEP for non-compliance with the terms and conditions of the sea discharge permit granted to the Leviathan platform and violation of the Sea Pollution Prevention Law (the summons to the hearing claims that the Operator discharged prohibited wastewater into the sea) and for non-compliance with the terms and conditions of the toxins permit granted to the Leviathan platform and violation of the Hazardous Substances Law, 5753-1993 (the summons to the hearing claims that the Operator stored the diesel fueling hose in violation of the terms of the toxins permit). In view of the security situation in Israel, a date for the hearing has yet to be scheduled. It is not possible to estimate at this stage whether financial penalties will be imposed on the Operator following the hearing.

Note 8 – Additional Information:

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

A. Royalties

Further to Note 18 to the Annual Financial Statements, the Partnership records in its financial statements expenses for the state royalties according to the Ministry of Energy's demand regarding payment of royalty advances according to a rate of 11.26% in the years 2020-2022 and 11.06% from Y2023 onwards (see below the Ministry of Energy's notice as of 29 October 2023). 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 ~10.74% and ~10.93% in the 9 months ended on 30 September 2023 and in the year ended 31 December 2022, respectively. The aggregate difference between the state royalties actually paid according to the rate of the advances that was set according to such Ministry of Energy's demand, and the effective state royalty rate as aforesaid, totaled approx. $4.7 million and was included in the Condensed Consolidated Statement of Financial Position under the 'other long-term assets, net' item as of 30 September 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 ~5.15% and ~5.25% in the 9 months ended 30 September 2023 and in the year ended 31 December 2022, respectively. The aggregate difference between the overriding royalties actually paid and the effective overriding royalty rate as aforesaid, totaled approx. $2.3 million and was included in the Condensed Consolidated Statement of Financial Position under 'other long-term assets, net' item as of 30 September 2023.

On 1 September 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 27 December 2022, the Leviathan partners sent a letter to the Ministry of Energy regarding a request to reduce the rate of advances starting from January 2023. On 29 October 2023 a notice was received from the Ministry of Energy that the rate of the advances on account of the state royalties for revenues from the Leviathan Project will be decreased from 11.26% to 11.06% starting from the beginning of 2023.

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

Note 8 – Additional Information: (Cont.)

B. Shelf prospectus

On 23 May 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 distributions

1. On 28 March 2023, the GP's board approved a profit distribution in the sum of $35 million, while the effective date for distribution is 10 April 2023. Such profit distribution was on 24 April 2023.
2. On 23 August 2023, the GP's board approved an (interim) profit distribution in the sum of $30 million, while the effective date for distribution is 31 August 2023. Such profit distribution was made on 14 September 2023.

D. Further to Note 15E to the Annual Financial Statements, regarding the tax reports filed by the Partnership for 2020 and 2021, on 8 November 2023, the Partnership issued temporary tax certificates for entitled holders in respect of the holding of participation units of the Partnership for such years. According to the tax reports filed by the Partnership for the tax years 2020 and 2021, which are subject to audit by the Tax Authority, in the tax years 2020 and 2021, the Partnership had no taxable income. It is clarified that these are only temporary certificates and that the final tax certificates for the tax years 2020 and 2021 will only be issued at the end of the Tax Authority's audit for each of the said years.

As specified in the temporary certificates, to the extent that an additional tax liability will apply according to the final assessment, the Partnership will bear the additional tax liability according to the weighted tax rate of all holders of participation units, according to their holding at the close of December 31 of the tax year according to the maximum tax rate (47% for individuals and 23% for companies). In addition, in accordance with the individual accounting with each one of the holders of participation units, the final accounting with each one of the unitholders will be done according to the final assessment of the Partnership for each of the aforesaid tax years and the final tax certificate that will be issued accordingly. Unitholders who will file tax reports according to the temporary tax certificates will be required to complete the report and the final tax certificates as aforesaid.

In addition, and according to the aforesaid regarding the tax report submitted by the Partnership for Y2021, under which the Partnership had no taxable income, on 8 May 2023 a tax refund was received for the corporate tax advances paid for Y2021, as specified 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 of the Partnership, measured at fair value which were recognized in the Condensed Consolidated Statements of Financial Position:

	30 September 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
	$ in thousands			
Assets:				
Financial assets at fair value through profit and loss:				
Financial assets at fair value through profit or loss	14,085	-	-	14,085
Financial assets at fair value through profit or loss - investment in Ratio Petroleum	2,634	-	-	2,634
Derivative financial assets	-	11,254	-	11,254
Total assets	16,719	11,254	-	27,973

	30 September 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
	$ in thousands			
Assets:				
Financial assets at fair value through profit and loss:				
Financial assets at fair value through profit or loss	13,811	-	-	13,811
Financial assets at fair value through profit or loss - investment in Ratio Petroleum	4,048	-	-	4,048
Derivative financial assets	-	7,785	-	7,785
Total assets	17,859	7,785	-	25,644

	31 December 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
	$ in thousands			
Assets:				
Financial assets at fair value through profit and 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
Total assets	29,119	7,884	-	37,003

During the 9- and 3-month periods ended 30 September 2023, and the 12-month period ended 31 December 2022, no transfers were made between Level 1 and Level 2.

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

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.

C. 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 30 September 2023, including cash and cash equivalents, trade and other receivables, short-term deposits, restricted deposits, current 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 30 September		As of 31 Dec.
	2023	2022	2022
	(Unaudited)		(Audited)
	$ in thousands		
Fair value:			
Series B Bonds*	-	56,060	-
Series C Bonds	-	62,455	63,572
Series D Bonds	91,365	89,212	86,309
Loans from banking corporations	529,727	564,386	554,118
Total	620,727	772,113	703,999

* Presented net of Series B Bonds that were purchased by the Partnership. The Series B Bonds were redeemed in full on 6 November 2022.

D. Management of financial risks

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

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

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

Note 10 – Subsequent Events

A. The Iron Swords War

See Note 1E for subsequent development.

B. Construction of the Combined Section

See Note 4A2 for subsequent development.

C. Agreement for sale of condensate from the Leviathan Reservoir

See Note 4A3 for subsequent development.

D. Winning the Fourth Process for receipt of licenses for natural gas exploration in Israeli waters

See Note 4B for subsequent development.

E. Short-term deposit according to the terms of the loan

See Note 5A for subsequent development.

F. Purchase of Series D Bonds of Ratio Financing

See Note 5B2 for subsequent development.

G. A settlement outline in the motion for class certification

See Note 7A for subsequent development.

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

See Note 7B for subsequent development.

I. Proceedings against the Operator in the Leviathan Project in connection with the Leviathan platform's activity

See Note 7D for subsequent development.

J. Update to the Ministry of Energy's demand regarding payment of royalty advances

See Note 8A for subsequent development.

K. Issuance of temporary tax certificates

See Note 8D for subsequent development.