

**Delek Royalties (2012) Ltd.**  
**Condensed Interim Financial Statements as of June 30, 2020**  
**In thousands of US Dollars**  
**(Unaudited)**  
**Extracts**

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## **Auditor's Review Report to the Shareholders of Delek Royalties (2012) Ltd.**

### **Introduction**

We have reviewed the attached financial information of Delek Royalties (2012) Ltd. (hereinafter: "**The Company**"), including the condensed statement of financial position as of June 30, 2020, as well as the condensed statements of comprehensive income, of changes in equity and of cash flows for the six and three month periods then ended. The Board of Directors and management are responsible for the preparation and presentation of the financial information for these interim periods in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting", and are responsible for the preparation of the financial information for these interim periods in accordance with Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970. Our responsibility is to express a conclusion regarding the financial information for these interim periods, based on our review.

### **Scope of the review**

We have conducted our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel, "Review of interim financial information by the entity's auditor". A review of interim financial information consists of inquiries, primarily with the individuals responsible for financial and accounting matters, and of the application of analytical and other review procedures. A review is significantly limited in scope compared to an audit, which is conducted in accordance with generally accepted auditing standards in Israel, and therefore it does not allow us to reach assurance that we have become aware of all material issues, which could have been identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

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

In addition to what is stated in the previous paragraph, based on our review, nothing has come to our attention which would have caused us to believe that the aforementioned financial information does not comply, in all material respects, with the disclosure provisions set forth in Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel-Aviv, August 27, 2020

**Kost, Forer, Gabbay & Kasierer**  
**Certified Public Accountants**

**Ziv Haft**  
**Certified Public Accountants**

**Delek Royalties (2012) Ltd.****Condensed Interim Statements of Financial Position (in thousands of Dollars)**

	<u>30.6.2020</u> <u>(Unaudited)</u>	<u>30.6.2019</u> <u>(Unaudited)</u>	<u>31.12.2019</u> <u>(Audited)</u>
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	2,249	4,506	5,323
Short-term deposits	4,721	3,263	6,230
Other receivables:	1,342	2,646	2,567
	<u>8,312</u>	<u>10,415</u>	<u>14,120</u>
<b>Non-current assets:</b>			
Investments in petroleum and gas assets (rights to receive royalties)	150,841	156,947	154,001
Deposits, the use of which is restricted	8,910	8,014	6,599
Right of use asset	171	230	200
Fixed assets	8	14	11
Deferred taxes	437	-	366
	<u>160,367</u>	<u>165,205</u>	<u>161,177</u>
	<u>168,679</u>	<u>175,620</u>	<u>175,297</u>
<b>Liabilities and equity:</b>			
<b>Current liabilities:</b>			
Current maturities of bonds	12,055	13,933	13,009
Other payables	2,728	4,140	3,769
Income tax payable	322	1,058	632
	<u>15,105</u>	<u>19,131</u>	<u>17,410</u>
<b>Non-current liabilities:</b>			
Bonds	73,692	85,747	79,792
Deferred taxes	-	512	-
Leasing liability	137	193	169
	<u>73,829</u>	<u>86,452</u>	<u>79,961</u>
<b>Equity</b>			
Share capital	5,595	5,595	5,595
Share	55,217	55,217	55,217
Retained earnings	18,933	9,225	17,114
	<u>79,745</u>	<u>70,037</u>	<u>77,926</u>
	<u>168,679</u>	<u>175,620</u>	<u>175,297</u>

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

August 27, 2020

Date of the approval of  
the Financial Statements

Asi Bartfeld  
Chairman of the Board of  
Directors

Meir Menachem  
Chief Executive Officer

Ran Kreitzman  
Chief Financial Officer

**Delek Royalties (2012) Ltd.****Condensed Interim Statements of Comprehensive Income (in thousands of Dollars, except for earnings per share)**

	For the period of six months ended		For the period of three months ended		For the year ended
	30.6.2020	30.6.2019	30.6.2020	30.6.2019	31.12.2019
	(Unaudited)		(Unaudited)		(Audited)
Royalties from the sale of natural gas and condensate	8,618	13,575	3,379	6,440	28,946
<b>Expenses and costs:</b>					
Depletion expenses	1,695	2,563	677	1,228	5,282
Impairment (cancelation of impairment) in value of petroleum and gas assets	1,465	-	(2,255)	-	-
Administrative and general expenses	627	552	263	277	1,048
<b>Total expenses (reduction of expenses) and costs</b>	<b>3,787</b>	<b>3,115</b>	<b>(1,315)</b>	<b>1,505</b>	<b>6,330</b>
<b>Operating income</b>	<b>4,831</b>	<b>10,460</b>	<b>4,694</b>	<b>4,935</b>	<b>22,616</b>
Financing expenses	(2,514)	(2,928)	(1,215)	(1,452)	(5,704)
Financing income	133	176	59	78	352
<b>Financing expenses, net</b>	<b>(2,381)</b>	<b>(2,752)</b>	<b>(1,156)</b>	<b>(1,374)</b>	<b>(5,352)</b>
<b>Income before taxes on income</b>	<b>2,450</b>	<b>7,708</b>	<b>3,538</b>	<b>3,561</b>	<b>17,264</b>
Tax expenses on income	(631)	(1,065)	(333)	(553)	(2,732)
<b>Total net and comprehensive income for the period</b>	<b>1,819</b>	<b>6,643</b>	<b>3,205</b>	<b>3,008</b>	<b>14,532</b>
<b>Earnings per regular share of par value NIS 1 (basic and diluted), attributed to the shareholders in the Company (in Dollars)</b>	<b>0.09</b>	<b>0.33</b>	<b>0.16</b>	<b>0.15</b>	<b>0.73</b>

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

**Delek Royalties (2012) Ltd.****Condensed Interim Statements of Changes Shareholders' Equity (in thousands of Dollars)**

	<u>Regular share capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Total</u>
<b>(Unaudited)</b>				
<b>For the period of six months ended June 30, 2020:</b>				
<b>Balance as of January 1, 2020 (audited)</b>	5,595	55,217	17,114	77,926
Comprehensive income for the period	-	-	1,819	1,819
<b>Balance as of June 30, 2020</b>	<u>5,595</u>	<u>55,217</u>	<u>18,933</u>	<u>79,745</u>

	<u>Regular share capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Total</u>
<b>For the period of six months ended June 30, 2019:</b>				
<b>Balance as of January 1, 2019 (audited)</b>	5,595	55,217	6,162	66,674
Comprehensive income for the period	-	-	6,643	6,643
Dividend distributed	-	-	(3,580)	(3,580)
<b>Balance as of June 30, 2019</b>	<u>5,595</u>	<u>55,217</u>	<u>9,225</u>	<u>70,037</u>

	<u>Regular share capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Total</u>
<b>(Unaudited)</b>				
<b>For the period of three months ended June 30, 2020:</b>				
<b>Balance as of April 1, 2020</b>	5,595	55,217	15,728	76,540
Comprehensive income for the period	-	-	3,205	3,205
<b>Balance as of June 30, 2020</b>	<u>5,595</u>	<u>55,217</u>	<u>18,933</u>	<u>79,745</u>

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

**Delek Royalties (2012) Ltd.****Condensed Interim Statements of Changes Shareholders' Equity (in thousands of Dollars)**

	<u>Regular share capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Total</u>
<b>For the period of three months ended June 30, 2019:</b>				
<b>Balance as of April 1, 2019</b>	5,595	55,217	6,217	67,029
Comprehensive income for the period	-	-	3,008	3,008
<b>Balance as of June 30, 2019</b>	<u>5,595</u>	<u>55,217</u>	<u>9,225</u>	<u>70,037</u>

	<u>Regular share capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Total</u>
<b>For the year ended December 31, 2019:</b>				
<b>Balance as of January 1, 2019</b>	5,595	55,217	6,162	66,674
Net and comprehensive income	-	-	14,532	14,532
Dividend distributed	-	-	(3,580)	(3,580)
<b>Balance as of December 31, 2019</b>	<u>5,595</u>	<u>55,217</u>	<u>17,114</u>	<u>77,926</u>

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

**Delek Royalties (2012) Ltd.****Condensed Interim Statements of Cash Flows (in thousands of Dollars)**

	For the period of six months ended		For the period of three months ended		For the year ended
	30.6.2020	30.6.2019	30.6.2020	30.6.2019	31.12.2019
	(Unaudited)		(Unaudited)		(Audited)
<b>Cash flows from operating activities:</b>					
Net income	1,819	6,643	3,205	3,008	14,532
Adjustments for:					
Depletion and depreciation	1,727	2,589	694	1,241	5,342
Impairment (cancellation of impairment) in the value of petroleum and gas assets	1,465	-	(2,255)	-	-
Tax expenses on income	631	1,065	333	553	2,732
Financing expenses, net	2,380	2,752	1,155	1,374	5,352
<b>Changes in assets and liabilities:</b>					
Decrease (increase) in other receivables	1,225	(164)	(60)	(201)	(85)
Increase (decrease) in other payables	(89)	838	(198)	145	(72)
<b>Cash paid in the period for:</b>					
Income tax paid	(1,771)	(986)	(429)	(473)	(3,809)
Refund received from the Income Tax Authority	-	-	-	-	686
	5,568	6,094	(760)	2,639	10,146
<b>Net cash generated by operating activities</b>	<b>7,387</b>	<b>12,737</b>	<b>2,445</b>	<b>5,647</b>	<b>24,678</b>
<b>Cash flows from investment activities</b>					
Deposit in deposits, net	(802)	(738)	(4,047)	(2,194)	(2,290)
Interest received	117	175	47	77	352
<b>Net cash absorbed by investment activities</b>	<b>(685)</b>	<b>(563)</b>	<b>(4,000)</b>	<b>(2,117)</b>	<b>(1,938)</b>
<b>Cash flows from financing activities</b>					
Repayment of bonds	(7,130)	(6,571)	-	-	(13,531)
Interest paid	(2,569)	(2,946)	-	-	(5,705)
Repayment of leasing liability	(34)	(26)	(16)	(14)	(62)
Dividend distributed	-	(3,580)	-	(3,580)	(3,580)
<b>Cash flows absorbed by financing activities</b>	<b>(9,733)</b>	<b>(13,123)</b>	<b>(16)</b>	<b>(3,594)</b>	<b>(22,878)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(3,031)</b>	<b>(949)</b>	<b>(1,571)</b>	<b>(64)</b>	<b>(138)</b>
<b>Balance of cash and cash equivalents at the beginning of the period</b>	<b>5,323</b>	<b>5,428</b>	<b>3,815</b>	<b>4,573</b>	<b>5,428</b>
<b>Exchange differences on cash and cash equivalents balances</b>	<b>(43)</b>	<b>27</b>	<b>5</b>	<b>(3)</b>	<b>33</b>
<b>Balance of cash and cash equivalents at the end of the period</b>	<b>2,249</b>	<b>4,506</b>	<b>2,249</b>	<b>4,506</b>	<b>5,323</b>

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



**Delek Royalties (2012) Ltd.****Condensed Statements of Cash Flows (in thousands of Dollars) (Continued)**

	For the period of six months ended		For the period of three months ended		For the year ended
	30.6.2020	30.6.2019	30.6.2020	30.6.2019	31.12.2019
	(Unaudited)		(Unaudited)		(Audited)
<b>Appendix – Financing and investment activities not involving cash flows:</b>					
Decrease in liability in connection with an effective royalty by well that has been recorded against petroleum and gas assets (rights to receive royalties)	-	-	-	-	(226)
Increase in leasing liability recorded against a right of use asset	-	33	-	33	33

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