

Delek Royalties (2012) Ltd.

Condensed Interim Financial Statements as of September 30, 2020

In thousands of US Dollars

(Unaudited)

Extracts

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Table of Contents

	Page
Auditor's Review Report	2
Financial statements	
Condensed Interim Statements of Financial Position	3
Condensed Interim Statements of Comprehensive Income	4
Condensed Interim Statements of Changes in Equity	5 - 6
Condensed Interim Statements of Cash Flows	7 - 8
Notes to the Condensed Interim Financial Statements (not translated)	9 - 15
Auditors' Letter of Consent (not translated)	16

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 September 30, 2020, as well as the condensed statements of comprehensive income, of changes in equity and of cash flows for the nine 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, November 30, 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>30.9.2020</u> <u>(Unaudited)</u>	<u>30.9.2019</u> <u>(Unaudited)</u>	<u>31.12.2019</u> <u>(Audited)</u>
Assets:			
Current assets:			
Cash and cash equivalents	3,301	1,085	5,323
Short-term deposits	1,100	3,502	6,230
Other receivables:	<u>2,292</u>	<u>2,608</u>	<u>2,567</u>
	<u>6,693</u>	<u>7,195</u>	<u>14,120</u>
Non-current assets:			
Investments in petroleum and gas assets (rights to receive royalties)	151,109	155,549	154,001
Deposits, the use of which is restricted	7,931	7,041	6,599
Right of use asset	155	215	200
Fixed assets	9	13	11
Deferred taxes	<u>238</u>	<u>219</u>	<u>366</u>
	<u>159,442</u>	<u>163,037</u>	<u>161,177</u>
	<u>166,135</u>	<u>170,232</u>	<u>175,297</u>
Liabilities and equity:			
Current liabilities:			
Current maturities of bonds	9,845	13,010	13,009
Other payables	1,849	3,023	3,769
Income tax payable	<u>607</u>	<u>381</u>	<u>632</u>
	<u>12,301</u>	<u>16,414</u>	<u>17,410</u>
Non-current liabilities:			
Bonds	69,906	79,751	79,792
Leasing liability	<u>122</u>	<u>183</u>	<u>169</u>
	<u>70,028</u>	<u>79,934</u>	<u>79,961</u>
Equity			
Share capital	5,595	5,595	5,595
Share	55,217	55,217	55,217
Retained earnings	<u>22,994</u>	<u>13,072</u>	<u>17,114</u>
	<u>83,806</u>	<u>73,884</u>	<u>77,926</u>
	<u>166,135</u>	<u>170,232</u>	<u>175,297</u>

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

November 30, 2020			
Date of the approval of the Financial Statements	Shaul Glicksberg Chairman of the Board of Directors	Meir Menachem Chief Executive Officer	Tomer Gordon 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 nine months ended		For the period of three months ended		For the year ended
	30.9.2020	30.9.2019	30.9.2020	30.9.2019	31.12.2019
	(Unaudited)		(Unaudited)		(Audited)
Royalties from the sale of natural gas and condensate	15,033	21,036	6,415	7,461	28,946
Expenses and costs:					
Depletion expenses	2,893	3,961	1,198	1,398	5,282
Cancellation of impairment in value of petroleum and gas assets	-	-	(1,465)	-	-
Administrative and general expenses	1,049	790	422	238	1,048
Total expenses (reduction of expenses) and costs	3,942	4,751	155	1,636	6,330
Operating income	11,091	16,285	6,260	5,825	22,616
Financing expenses	(3,720)	(4,358)	(1,206)	(1,430)	(5,704)
Financing income	163	278	30	102	352
Financing expenses, net	(3,557)	(4,080)	(1,176)	(1,328)	(5,352)
Income before taxes on income	7,534	12,205	5,084	4,497	17,264
Tax expenses on income	(1,654)	(1,715)	(1,023)	(650)	(2,732)
Total comprehensive income for the period	5,880	10,490	4,061	3,847	14,532
Earnings per regular share of par value NIS 1 (basic and diluted), attributed to the shareholders in the Company (in Dollars)	0.29	0.52	0.20	0.19	0.73

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)**

	Regular share capital	Share premium	Retained earnings	Total
	(Unaudited)			
For the period of nine months ended September 30, 2020:				
Balance as of January 1, 2020 (audited)	5,595	55,217	17,114	77,926
Comprehensive income for the period	-	-	5,880	5,880
Balance as of September 30, 2020	<u>5,595</u>	<u>55,217</u>	<u>22,994</u>	<u>83,806</u>

	Regular share capital	Share premium	Retained earnings	Total
	(Unaudited)			
For the period of nine months ended September 30, 2019:				
Balance as of January 1, 2019 (audited)	5,595	55,217	6,162	66,674
Comprehensive income for the period	-	-	10,490	10,490
Dividend distributed	-	-	(3,580)	(3,580)
Balance as of September 30, 2019	<u>5,595</u>	<u>55,217</u>	<u>13,072</u>	<u>73,884</u>

	Regular share capital	Share premium	Retained earnings	Total
	(Unaudited)			
For the period of three months ended September 30, 2020:				
Balance as of July 1, 2020	5,595	55,217	18,933	79,745
Comprehensive income for the period	-	-	4,061	4,061
Balance as of September 30, 2020	<u>5,595</u>	<u>55,217</u>	<u>22,994</u>	<u>83,806</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>
For the period of three months ended September 30, 2019:				
Balance as of July 1, 2019	5,595	55,217	9,225	70,037
Comprehensive income for the period	-	-	3,847	3,847
Balance as of September 30, 2019	<u>5,595</u>	<u>55,217</u>	<u>13,072</u>	<u>73,884</u>
	<u>Regular share capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Total</u>
For the year ended December 31, 2019:				
Balance as of January 1, 2019	5,595	55,217	6,162	66,674
Comprehensive income for the period	-	-	14,532	14,532
Dividend distributed	-	-	(3,580)	(3,580)
Balance as of December 31, 2019	<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 nine months ended		For the period of three months ended		For the year ended
	30.9.2020	30.9.2019	30.9.2020	30.9.2019	31.12.2019
	(Unaudited)		(Unaudited)		(Audited)
Cash flows from operating activities:					
Net income	5,880	10,490	4,061	3,847	14,532
Adjustments for:					
Depletion and depreciation	2,940	4,003	1,213	1,414	5,342
Cancellation of impairment in the value of petroleum and gas assets	-	-	(1,465)	-	-
Tax expenses on income	1,654	1,715	1,023	650	2,732
Financing expenses, net	3,557	4,080	1,176	1,328	5,352
Changes in assets and liabilities:					
Decrease (increase) in other receivables	275	(126)	(950)	38	(85)
Increase (decrease) in other payables	161	1,142	250	304	(72)
Cash paid in the period for:					
Income tax paid	(2,223)	(3,088)	(451)	(2,102)	(3,809)
Refund received from the Income Tax Authority	-	-	-	-	686
	6,364	7,726	796	1,632	10,146
Net cash generated by operating activities	12,244	18,216	4,857	5,479	24,678
Cash flows from investment activities					
Withdrawal from (deposit in) deposits, net	3,798	(4)	4,600	734	(2,290)
Interest received	152	278	35	103	352
Net cash generated (absorbed) by investment activities	3,950	274	4,635	837	(1,938)
Cash flows from financing activities					
Repayment of bonds	(13,164)	(13,531)	(6,034)	(6,960)	(13,531)
Interest paid	(4,942)	(5,705)	(2,373)	(2,759)	(5,705)
Repayment of leasing liability	(59)	(42)	(25)	(16)	(62)
Dividend distributed	-	(3,580)	-	-	(3,580)
Cash flows absorbed by financing activities	(18,165)	(22,858)	(8,432)	(9,735)	(22,878)
(Decrease) increase in cash and cash equivalents	(1,971)	(4,368)	1,060	(3,419)	(138)
Balance of cash and cash equivalents at the beginning of the period	5,323	5,428	2,249	4,506	5,428
Exchange differences on cash and cash equivalents balances	(51)	25	(8)	(2)	33
Balance of cash and cash equivalents at the end of the period	3,301	1,085	3,301	1,085	5,323

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 nine months ended		For the period of three months ended		For the year ended
	30.9.2020	30.9.2019	30.9.2020	30.9.2019	31.12.2019
	(Unaudited)		(Unaudited)		(Audited)
Appendix – Financing and investment activities not involving cash flows:					
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

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